

Town of Lebanon, Connecticut

State & Federal Compliance Audit

June 30, 2007

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2007

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Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

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Independent Auditors' Report

Board of Selectmen
Town of Lebanon, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management accounts for teachers summer salaries and fiscal year ending payrolls on the cash basis of accounting in the general fund and, accordingly have not recorded a liability and corresponding expense for these items as of and for the year ended June 30, 2007. Accounting principles generally accepted in the United States of America require the modified accrual basis of accounting to be followed in the preparation of the financial statements. The proper recording of these amounts would have increased the liabilities and decreased the fund balance amount of the general fund by approximately \$1,057,576 and the total expenses of the general fund would have increased by approximately \$52,003.

In our opinion, except for the effects of accounting for teachers summer salaries and fiscal year ending payrolls on the cash basis of accounting in the general fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Town of Lebanon, Connecticut, as of June 30, 2007, and the respective changes in financial information and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the town construction projects fund, the capital and non-recurring fund, and the investment trust fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2008, on our consideration of the Town of Lebanon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures consisting principally of management inquiries regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The combining, individual fund financial statements, and other supplementary information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Lebanon, Connecticut. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 9, 2008

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

Our discussion and analysis of the Town of Lebanon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2007. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The Town's total assets exceeded its total liabilities by \$35,722,051 (net assets) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$33,840,248. This represents a favorable increase of approximately 5.56%.
- The Town's invested in capital assets, net of related debt net asset balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total invested in capital assets, net of related debt net asset balance of the Town was \$26,567,790 (74.37% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$22,922,513 (67.73% of total net assets). This represents an increase of approximately 15.90% which is the result of a decrease in the related debt of \$1,105,048, current year depreciation in the amount of \$1,012,680, and current year capital asset additions in the amount of \$3,552,908.
- The Town's restricted net assets are used to account for funds received with constraints imposed by grantors and contributors. These net assets *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net asset balance of the Town was \$4,517,350 (12.64% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,624,543 (13.67% of total net assets). This represents a decrease of approximately 2.32%.
- The Town's unrestricted net asset balance is the component of net assets which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net asset balance of the Town was \$4,636,911 (12.99% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$6,293,192 (18.60% of total net assets). This represents an unfavorable decrease of approximately 26.32%.
- The Town's total revenues for its governmental activities were \$23,594,479 for the current fiscal. This compares to the prior fiscal year balance of \$26,408,970. This represents a decrease of approximately 10.66% or \$2,814,491. This is due in large part to the decrease in State revenue received or recorded for the school building projects in the amount of \$4,695,251.
- The cost of the Town's governmental activities was \$21,712,676 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$11,845,586 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$2,572,941, and through operating and capital grants received from the State (state and federal dollars) in the amount of \$7,294,149. This amounts to approximately 54.56% of the cost of these governmental activities actually being financed by general revenues of the Town. This compares to approximately 31.13% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year. The individual breakdown of how these charges for services and operating and capital grants were received by department for the current fiscal year is shown on Statement B on page 11.
- The Town received a \$9,385 donation which was deposited into the Oliver & Lucille Manning non-major permanent fund to be used in accordance with the provisions of all permanent funds of the Town. That is, only a portion of the accumulated interest may be withdrawn by the Town and used for the purposes as directed by the donee which include and are related to open space within the Town. This compares to a \$37,555 donation received in the prior fiscal year and deposited into the Cummings scholarship non-major permanent fund for use by the Board of Education as directed by the donee.
- The Board of Education of the Town received approximately \$725,890 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from school renovations, to improving basic programs, to enhancing education through technology. This compares to approximately \$432,910 in the prior fiscal year. This increase is in part due to a wiring grant received from the State in the amount of \$150,000. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as deferred revenues on the Statement of net assets.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net assets and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance Sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The remaining statement provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements report the fiduciary activities of the Town of which the Town only operates in an agency fund capacity.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 10 with the Statement of net assets. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net assets and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net assets includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net assets and the changes in these net assets. You can think of these net assets as one way to measure the financial health and financial position of the Town. The net asset balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, health recreation and social services, community preservation, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage money for particular purposes (such as the community center or recreation commission) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended in the town bridge projects fund). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

The Town as a trustee

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is the trustee are agency funds which are characterized as follows:

- Agency funds are used by the Town to report resources held by the Town or resources under the tax identification number of the Town and the Board of Education. These resources are held in a purely custodial capacity in which assets equal liabilities. These funds are typically characterized by the receipt, temporary investment, and remittance of the fiduciary resources of other individuals, student groups, private organizations, or other governments.

The Town as a whole - Assets, liabilities, and net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. As shown below the Town maintains a high current ratio. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 2.46 to 1 compared to the end of the prior fiscal year when the current ratio was 3.48 to 1. This ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$3,585,771. This compares to the prior fiscal year positive balance of \$5,369,933. This represents an unfavorable decrease of approximately 33.23%. This unfavorable decrease is due mostly to the net results of the town construction projects fund whose expenditures exceeded its revenues during the current fiscal year. The net result within this fund was an unfavorable decrease of \$1,936,256.

	Governmental Activities		Percentage of Total	
	2007	2006	2007	2006
Current assets	\$ 6,028,471	\$ 7,537,551	13.21%	16.91%
Other assets	4,695,087	4,665,859	10.29%	10.47%
Capital assets	34,913,652	32,373,423	76.50%	72.62%
	<u>\$ 45,637,210</u>	<u>\$ 44,576,833</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 2,442,700	\$ 2,167,618	24.64%	20.19%
Long-term liabilities outstanding	7,472,459	8,568,967	75.36%	79.81%
	<u>\$ 9,915,159</u>	<u>\$ 10,736,585</u>	<u>100.00%</u>	<u>100.00%</u>
Net assets:				
Invested in capital assets, net of debt	\$ 26,567,790	\$ 22,922,513	74.37%	67.74%
Restricted	4,517,350	4,624,543	12.64%	13.67%
Unrestricted	4,636,911	6,293,192	12.99%	18.59%
	<u>\$ 35,722,051</u>	<u>\$ 33,840,248</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net assets:				
Long-term accounts receivable	\$ 1,281,706	\$ 1,768,086		
Encumbrances (note 1 E)	50,201	-		
Restricted donations (note 1Q (d))	549,322	560,993		
Community development projects (note 1Q (e))	347,143	371,302		
Restricted investments (note 1Q (f))	1,975,350	1,610,646		
Principal balance of permanent funds	313,628	313,516		
	<u>\$ 4,517,350</u>	<u>\$ 4,624,543</u>		

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

The Town as a whole - Revenues, expenses, and changes in net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year. The comparison of expenses shown below indicates that the general make-up of the Town's spending by department as a percentage of total spending was consistent for the current fiscal year in comparison to the prior fiscal year.

	Governmental Activities		Percentage of Total	
	2007	2006	2007	2006
Program revenues				
Charges for services	\$ 2,572,941	\$ 2,739,043	10.90%	10.37%
Operating grants	6,866,970	6,583,815	29.10%	24.93%
Capital grants	427,179	4,695,251	1.81%	17.78%
General revenues				
Property taxes, interest, and liens	12,498,259	11,587,527	52.97%	43.88%
State property tax relief revenues	108,650	109,825	0.46%	0.41%
Other unclassified state revenues	127,497	53,973	0.54%	0.20%
Net change in the fair value of investments	355,326	9,550	1.51%	0.04%
Interest and dividends	219,324	280,796	0.93%	1.06%
Miscellaneous	418,333	349,190	1.78%	1.33%
Total revenues	23,594,479	26,408,970	100.00%	100.00%
Expenses				
General government	724,913	636,277	3.34%	3.12%
Public safety	701,008	477,935	3.23%	2.35%
Public works	1,123,259	965,779	5.17%	4.74%
Health, recreation, and social services	590,317	523,873	2.72%	2.57%
Community preservation	139,027	105,745	0.64%	0.52%
Education	15,826,118	15,190,237	72.89%	74.63%
Education - on behalf	993,409	954,659	4.58%	4.69%
Unclassified and program	925,511	831,858	4.26%	4.09%
Capital outlay	-52,930	9,819	-0.25%	0.05%
Depreciation	358,656	343,197	1.65%	1.69%
Debt service:				
Interest	383,388	315,426	1.77%	1.55%
Total expenses	21,712,676	20,354,805	100.00%	100.00%
Change in net assets	1,881,803	6,054,165		
Net assets - July 1	33,840,248	27,786,083		
Net assets - June 30	<u>\$ 35,722,051</u>	<u>\$ 33,840,248</u>		
Expenses financed by general revenues:				
Total expenses	\$ 21,712,676	\$ 20,354,805		
Less charges for services	-2,572,941	-2,739,043		
Less operating grants and contributions	-6,866,970	-6,583,815		
Less capital grants and contributions	-427,179	-4,695,251		
	<u>\$ 11,845,586</u>	<u>\$ 6,336,696</u>	<u>54.56%</u>	<u>31.13%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets of the Town are required to be reported in accordance with GAAP. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 23 and note 5 on page 27.

	Governmental Activities		Percentage of total	
	2007	2006	2007	2006
Land and improvements	\$ 1,896,289	\$ 1,746,289	3.12%	3.06%
Buildings and improvements	17,786,283	17,749,688	29.30%	31.06%
Vehicles	3,144,966	2,914,237	5.18%	5.10%
Equipment	619,303	506,341	1.02%	0.89%
Infrastructure	21,603,726	21,138,280	35.59%	36.99%
Construction in progress	15,649,713	13,092,536	25.79%	22.90%
Total historical cost	60,700,280	57,147,371	100.00%	100.00%
Less accumulated depreciation	-25,786,628	-24,773,948		
Total capital assets (net)	<u>\$ 34,913,652</u>	<u>\$ 32,373,423</u>		

Debt administration

The debt of the town includes long-term bonds, notes, and capital leases payable in addition to accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year for bonds, notes, and capital leases payable decreased by approximately .72% as a result of the variations between payment schedules. The portion due after one year decreased by approximately 13.14% as a result of the annual payments made on the individual bonds, notes, and capital leases. More detailed information on the debt of the Town can be found in note 6 starting on page 28.

	Governmental Activities		Percentage of total	
	2007	2006	2007	2006
Bonds, notes, capital leases payable:				
Portion due within one year	\$ 1,096,998	\$ 1,105,008	12.80%	11.42%
Portion due after one year	7,248,864	8,345,902	84.59%	86.27%
Accrued compensated absences (school)	37,384	31,702	0.44%	0.33%
Accrued compensated absences (town)	41,180	36,672	0.48%	0.38%
Accrued landfill post-closure costs	145,031	154,691	1.69%	1.60%
Total debt	<u>\$ 8,569,457</u>	<u>\$ 9,673,975</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance Sheet (page 12) and the Statement of Revenues, Expenditures, and Changes in Fund Balances (page 14).

Financial highlights - Fund financial statements

- The total assets of the Town's governmental funds exceeded the total liabilities by \$7,459,770 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$8,533,417, an unfavorable decrease of approximately 12.58% or \$1,073,647. This unfavorable decrease is due mostly to the net results of the town construction projects fund whose expenditures exceeded its revenues during the current fiscal year. The net result within this fund was an unfavorable decrease of \$1,936,256.
- The total revenues of the Town's governmental funds were \$24,283,776 for the current fiscal year in comparison to \$26,868,145 in the prior fiscal year. This represents a decrease of approximately 9.62% or \$2,584,369 and is due in part to a decrease in the amount of received and recorded State revenues within the Town construction capital projects fund. The revenues within this fund decreased by \$4,695,251.
- The total expenditures of the Town's governmental funds were \$25,357,423 for the current fiscal year in comparison to \$31,674,334 in the prior fiscal year. This represents a decrease of approximately 19.94% or \$6,316,911 and is due to a relatively consistent level of expenditures within most of the departments of the Town. The majority of the decrease in total expenditures can be attributed to a decrease in town construction project expenditures in the amount of \$7,919,413. In addition, a piece of property was purchased by the Town during the current fiscal year in the amount of \$150,000.
- The net change in fund balance (excess of revenues over-under expenditures) for the Town's governmental funds was (\$1,073,647) for the current fiscal year in comparison to \$943,811 in the prior fiscal year. This represents an unfavorable decrease of approximately 187.91%. This decrease is due mostly to the net results of the town construction projects fund as described in the bulleted items above.
- The net change in fund balance (excess of revenues over-under expenditures) for the Town's general fund was \$411,650 for the current fiscal year in comparison to \$405,276 for the prior fiscal year. This represents a favorable increase of approximately 1.57% and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$299,094 higher than the budget revenues for the current fiscal year which is a favorable variance in comparison to \$271,466 higher for the prior fiscal year which was also a favorable variance. In addition, the actual school tuition revenue received was \$272,973 higher than the budgeted amount for the current fiscal year in comparison to \$98,300 higher for the prior fiscal year. The actual revenue amounts received for charges for services was (\$79,408) lower than the budgeted amount for the current fiscal year in comparison to \$62,931 higher for the prior fiscal year. The actual revenue amounts received for interest and dividends was \$25,168 higher than the budgeted amount for the current fiscal year in comparison to \$123,788 higher for the prior fiscal year.
- The actual program expenditures in the Town's general fund were (\$260,482) lower than the budgeted expenditures for the current fiscal year which is a favorable variance in comparison to (\$220,300) lower than the budgeted expenditures for the prior fiscal year which was also a favorable variance.
- In the current fiscal year the Town budgeted to utilize \$150,000 of its general un-designated fund balance to offset current year expenditures. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year the Town budgeted to utilize \$86,000 of its general un-designated fund balance in this manner.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2007

Economic factors and next year's budgets and rates

The Town believes it has steadily maintained a sufficient unrestricted net asset and un-designated fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. In addition, the Town recently completed a reevaluation of assessed values of property located within the Town. This reevaluation is expected to reduce the effective mil rate, however, the amount of the cost of the total governmental activities financed by taxpayers is expected to be comparable to prior fiscal years.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 579 Exeter Road, Lebanon, Connecticut 06249.

Town of Lebanon, Connecticut
Statement of net assets
June 30, 2007

Assets	Governmental activities
Current assets:	
Cash	\$ 2,232,420
Investments (note 1E)	1,535,265
Accounts receivable (note 1F)	1,760,673
Current portion of long-term accounts receivable	486,723
Tax acquired property (note 1G)	6,428
Inventories (note 1I)	6,962
Prepaid items (note 1K)	-
Total current assets	<u>6,028,471</u>
Capital assets (note 1L and note 5)	
Land	1,896,289
Building and improvements	17,786,283
Vehicles	3,144,966
Equipment	619,303
Infrastructure	21,603,726
Construction in progress	<u>15,649,713</u>
	60,700,280
Less accumulated depreciation	<u>-25,786,628</u>
Total capital assets	<u>34,913,652</u>
Other assets	
Restricted cash (note 2)	1,093,526
Restricted investments (note 2)	1,975,350
Long-term accounts receivable	1,281,706
Notes receivable (note 9)	<u>344,505</u>
Total other assets	<u>4,695,087</u>
Total Assets	<u><u>\$ 45,637,210</u></u>
Liabilities	
Accounts payable	\$ 775,845
Other liabilities	72,605
Deferred revenues (note 1M)	497,252
Long-term debt (note 6)	
Portion due within one year	1,096,998
Portion due after one year	7,248,864
Accrued compensated absences (note 6A)	78,564
Accrued landfill post closure care cost (note 6B)	<u>145,031</u>
Total liabilities	<u>9,915,159</u>
Net assets	
Invested in capital assets, net of related debt (note 8)	26,567,790
Restricted	4,490,386
Unrestricted	<u>4,663,875</u>
Total net assets	<u>35,722,051</u>
Total liabilities and net assets	<u><u>\$ 45,637,210</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2007

		Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Total governmental activities
Primary government:	Expenses				
Governmental activities:					
General government	\$ -724,913	\$ 131,076	\$ 3,540	\$ -	\$ -590,297
Public safety	-701,008	179,508	73,122	-	-448,378
Public works	-1,123,259	119,759	251,047	-	-752,453
Health, recreation, and social	-590,317	6,135	47,616	-	-536,566
Community preservation	-139,027	24,005	7,000	-	-108,022
Education	-15,826,118	1,805,082	5,491,236	-	-8,529,800
Education - on behalf	-993,409	-	993,409	-	-
Unclassified and program	-925,511	307,376	-	-	-618,135
Capital outlay	52,930	-	-	427,179	480,109
Depreciation					
General infrastructure	-358,656	-	-	-	-358,656
Debt service					
Interest	-383,388	-	-	-	-383,388
	<u>\$ -21,712,676</u>	<u>\$ 2,572,941</u>	<u>\$ 6,866,970</u>	<u>\$ 427,179</u>	<u>-11,845,586</u>

General revenues:

Property tax revenues, interest, and liens	12,498,259
State property tax relief revenues	108,650
Other unclassified state revenues	127,497
Net change in fair value of investments	355,326
Interest and dividends	219,324
Miscellaneous	418,333
Total general revenues	<u>13,727,389</u>
Change in net assets	1,881,803
Net assets - July 1	<u>33,840,248</u>
Net assets - June 30	<u>\$ 35,722,051</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
 Balance sheet - Governmental funds
 June 30, 2007

Assets	General fund	Town construction projects	Capital & nonrecurring fund	Investment trust funds	Non-major governmental funds	Total government funds
Cash	\$ 1,471,557	\$ -	\$ 472,414	\$ -	\$ 1,381,975	\$ 3,325,946
Investments	1,535,265	-	-	1,965,965	9,385	3,510,615
Receivables (net of allowance)						
Property taxes	456,062	-	-	-	35,218	491,280
Intergovernmental	-	374,049	427,179	-	13,274	814,502
Other	448,529	-	-	-	6,362	454,891
Notes receivable	-	-	-	-	344,505	344,505
Tax acquired property	6,428	-	-	-	-	6,428
Inventories	-	-	-	-	6,962	6,962
Prepaid items	-	-	-	-	-	-
Due from other funds	2,485,276	78,705	537,990	-	959,581	4,061,552
Total assets	\$ 6,403,117	\$ 452,754	\$ 1,437,583	\$ 1,965,965	\$ 2,757,262	\$ 13,016,681
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 631,250	\$ -	\$ 101,722	\$ -	\$ 42,873	\$ 775,845
Other liabilities	72,605	-	-	-	-	72,605
Deferred property tax revenues	358,425	-	-	-	35,218	393,643
Deferred other revenues	253,266	-	-	-	-	253,266
Due to other funds	1,575,228	2,081,139	-	-	405,185	4,061,552
Total liabilities	2,890,774	2,081,139	101,722	-	483,276	5,556,911
Fund balances:						
Reserved for:						
Revolving loan fund	-	-	-	-	347,143	347,143
Prepaid items	-	-	-	-	-	-
Inventories	-	-	-	-	6,962	6,962
Encumbrances	26,964	-	-	-	23,237	50,201
Unreserved:						
Reported in general fund	3,485,379	-	-	-	-	3,485,379
Reported in special revenues	-	-	-	-	1,652,513	1,652,513
Reported in capital projects	-	-1,628,385	1,335,861	-	-78,882	-371,406
Reported in permanent funds	-	-	-	1,965,965	323,013	2,288,978
Total fund balances	3,512,343	-1,628,385	1,335,861	1,965,965	2,273,986	7,459,770
Total liabilities and fund balances	\$ 6,403,117	\$ 452,754	\$ 1,437,583	\$ 1,965,965	\$ 2,757,262	\$ 13,016,681

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement A to Statement C
for all governmental funds and activities
June 30, 2007

Fund balances of governmental funds as shown on Statement C \$ 7,459,770

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

1	Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in:		
	Cost	60,700,280	
	Less accumulated depreciation	<u>-25,786,628</u>	34,913,652
2	The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred revenue on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:		358,425
3	Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting, however the government-wide financial statements do not record revenues until they have been earned and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-208,768
4	Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:		
	Inter fund receivables	4,061,552	
	Inter fund payables	<u>-4,061,552</u>	-
5	Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:		
	Bonds, notes, and capital leases payable	-8,345,862	
	Accrued compensated balances	-78,564	
	Estimated liability for post closure landfill care	<u>-145,031</u>	-8,569,457
6	Amounts expected to be received by the Town from the State for there share of certain long-term liability payments are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A in whole due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		1,623,578
7	Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		<u>144,851</u>

Net assets of governmental activities as shown on Statement A \$ 35,722,051

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2007

	General fund	Town construction projects	Capital & nonrecurring fund	Investment trust funds	Non-major governmental funds	Total governmental funds
Revenues						
Property taxes, interest, and liens	\$ 12,502,732	\$ -	\$ -	\$ -	\$ 11,545	\$ 12,514,277
Intergovernmental - education	5,440,445	-	-	-	725,890	6,166,335
Intergovernmental - on behalf	993,409	-	-	-	-	993,409
Intergovernmental - tax relief	108,650	-	-	-	-	108,650
Intergovernmental - other	237,763	-	427,179	-	269,851	934,793
Tuition	1,805,082	-	-	-	-	1,805,082
Charges for services	328,172	-	-	-	439,687	767,859
Net change in investment fair value	-	-	-	355,326	-	355,326
Interest and dividends	100,168	-	8,856	54,484	55,816	219,324
Miscellaneous	102,872	576	7,891	-	307,382	418,721
Total revenues	21,619,293	576	443,926	409,810	1,810,171	24,283,776
Expenditures						
Current:						
General government	685,586	-	57,002	-	3,540	746,128
Public safety	256,254	-	14,175	-	371,063	641,492
Public works	923,082	-	207,795	-	146,888	1,277,765
Health, recreation, and social	170,343	-	-	-	416,413	586,756
Community preservation	105,439	-	-	-	33,588	139,027
Education	14,813,107	-	35,981	-	577,576	15,426,664
Education - on behalf	993,409	-	-	-	-	993,409
Unclassified and program	345,521	-	35,741	195	569,520	950,977
Capital outlay	-	2,054,830	1,046,983	-	17,879	3,119,692
Debt service:						
Principle	1,092,125	-	-	-	-	1,092,125
Interest	383,388	-	-	-	-	383,388
Total expenditures	19,768,254	2,054,830	1,397,677	195	2,136,467	25,357,423
Excess of revenues over (under) expenditures	1,851,039	-2,054,254	-953,751	409,615	-326,296	-1,073,647
Other financing sources (uses)						
Debt issuance proceeds	-	-	-	-	-	-
Operating transfers in	8,660	118,000	1,585,213	-	402,641	2,114,514
Operating transfers out	-1,448,049	-	-	-54,296	-612,169	-2,114,514
Total other financing sources (uses)	-1,439,389	118,000	1,585,213	-54,296	-209,528	-
Net change in fund balance	411,650	-1,936,256	631,462	355,319	-535,824	-1,073,647
Fund balance - July 1	3,100,693	307,869	704,399	1,610,646	2,809,810	8,533,417
Fund balance - June 30	\$ 3,512,343	\$ -1,628,385	\$ 1,335,861	\$ 1,965,965	\$ 2,273,986	\$ 7,459,770

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement B and Statement D
for all governmental funds and activities
June 30, 2007

Net changes in governmental fund balances as shown on Statement D \$ -1,073,647

Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:

1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:			
Current year capital asset purchases to be capitalized	3,552,908		
Current year depreciation expense on current and previous capital assets	<u>-1,012,680</u>		2,540,228
2 Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1G must be added back in or subtracted back out:			
			-9,307
3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement B and deferred in Statement D.			
Prior year deferred revenue amounts to be recognized	41,316		
Current year revenue amounts to be deferred	<u>-208,768</u>		-167,452
4 Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:			
Operating transfers in	2,114,514		
Operating transfers out	<u>-2,114,514</u>		-
5 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as a reduction in an already established liability account on in the government-wide financial statements and therefore must not be shown as current year activity:			
Proceeds from the issuance of a new bond payable	-		
Bonds, notes, and capital leases payable	1,105,048		
Accrued compensated balances	-10,190		
Estimated liability for post closure landfill care	<u>9,660</u>		1,104,518
6 Estimated accounts receivable for State long-term liability reimbursements and delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on the government-wide financial statements and therefore must not be shown as current year activity:			
Long-term account receivable due from the State for long-term liability reimbursement			
Prior year recorded balance	-2,129,405		
Current year recorded balance	1,623,578		
Prior year recorded delinquent interest and lien receivable balance	-151,561		
Current year recorded delinquent interest and lien receivable balance	<u>144,851</u>		-512,537

Change in net assets of governmental activities as shown on Statement B \$ 1,881,803

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2007

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues, interest and liens	\$ 12,520,016	\$ -	\$ 12,520,016	\$ 12,502,732	\$ -17,284
Intergovernmental - education	5,435,694	-	5,435,694	5,440,445	4,751
Intergovernmental - tax relief	108,458	-	108,458	108,650	192
Intergovernmental - other	161,483	-	161,483	237,763	76,280
Tuition	1,532,109	-	1,532,109	1,805,082	272,973
Charges for services	407,580	-	407,580	328,172	-79,408
Interest and dividends	75,000	-	75,000	100,168	25,168
Miscellaneous	86,450	-	86,450	102,872	16,422
Total revenues	20,326,790	-	20,326,790	20,625,884	299,094
Expenditures					
General government:					
Legal counsel	19,000	6,471	25,471	25,471	-
Selectmen	115,000	6,544	121,544	121,524	20
Elections	28,000	-	28,000	24,734	3,266
Probate court	3,067	-	3,067	1,808	1,259
Board of finance	1,500	-	1,500	971	529
Treasurer	57,500	3,031	60,531	60,531	-
Tax collector	62,000	2	62,002	62,002	-
Board of appeals	1,000	-	1,000	550	450
Town clerk	99,000	-	99,000	96,767	2,233
Assessor	62,000	324	62,324	62,324	-
Auditor	11,500	-	11,500	11,369	131
Town report	1,500	-	1,500	1,165	335
Computer service	40,000	36	40,036	40,036	-
Town hall	54,000	9,475	63,475	63,475	-
Insurance	111,000	1,859	112,859	112,859	-
	666,067	27,742	693,809	685,586	8,223
Public safety:					
Resident trooper	85,000	7,686	92,686	92,686	-
Constables	82,000	-7,875	74,125	73,152	973
Fire marshall	11,000	-	11,000	10,139	861
Burning official	2,000	99	2,099	2,099	-
Building department	40,000	834	40,834	40,834	-
Fire safety complex	20,000	16,794	36,794	36,794	-
Civil preparedness	500	-	500	420	80
Tree warden	175	-	175	130	45
	240,675	17,538	258,213	256,254	1,959
Public works:					
Department of public works	520,000	55,868	575,868	575,665	203
Buildings and grounds	58,000	-	58,000	56,500	1,500
Snow removal	110,000	-23,732	86,268	80,921	5,347
Street lights	11,600	-	11,600	10,602	998
Solid waste facility	190,000	602	190,602	190,137	465
Cemetery commission	12,000	1,600	13,600	9,257	4,343
	901,600	34,338	935,938	923,082	12,856
Health & social:					
Officer and inspection	23,500	-	23,500	23,464	36
Vital statistics	350	-	350	99	251
Public health service	1,000	-	1,000	1,000	-
Social services	16,500	-	16,500	15,847	653

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2007

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
Paramedic program	\$ 30,000	\$ -	\$ 30,000	\$ 28,878	\$ 1,122
United services	3,500	-	3,500	3,500	-
Switch board	29,007	562	29,569	29,569	-
School prizes	5,300	1595	6,895	6,895	-
Special events	2,000	238	2,238	2,238	-
Commission on aging	64,000	-	64,000	58,853	5,147
	175,157	2,395	177,552	170,343	7,209
Community preservation:					
Planning and zoning	77,000	8,385	85,385	82,742	2,643
Conservation committee	250	-	250	-	250
Zoning board of appeals	6,635	-	6,635	3,840	2,795
CEDC	2,000	-	2,000	500	1,500
Flood and erosion	30	-	30	30	-
Inland wetlands	14,000	4350	18,350	18,327	23
	99,915	12,735	112,650	105,439	7,211
Education	15,000,000	-	15,000,000	14,840,071	159,929
Unclassified:					
Social security	82,500	-	82,500	81,729	771
Medical life insurance	218,300	-1,826	216,474	183,994	32,480
Pension plan	65,600	-	65,600	65,498	102
Unemployment compensation	3,000	11,300	14,300	14,300	-
Contingency	125,000	-122,222	2,778	-	2,778
	494,400	-112,748	381,652	345,521	36,131
Debt service:					
Principal	1,092,125	-	1,092,125	1,092,125	-
Interest	383,388	-	383,388	383,388	-
	1,475,513	-	1,475,513	1,475,513	-
Total expenditures	19,053,327	-18,000	19,035,327	18,801,809	233,518
Excess of revenues over (under) expenditures	1,273,463	18,000	1,291,463	1,824,075	532,612
Other financing sources (uses)					
Utilization of un-designated fund balance	-	150,000	150,000	-	-150,000
Operating transfers in	6,586	-	6,586	8,660	2,074
Operating transfers out	-1,280,049	-168,000	-1,448,049	-1,448,049	-
Total other financing sources (uses)	-1,273,463	-18,000	-1,291,463	-1,439,389	-147,926
Net change in fund balance	-	-	-	384,686	384,686
Non-budgeted State on behalf revenue				993,409	
Non-budgeted State on behalf expenditure				-993,409	
Current year encumbrances				26,964	
Fund Balance - July 1				3,100,693	
Fund Balance - June 30				<u>\$ 3,512,343</u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of fiduciary assets and liabilities -
Agency funds
June 30, 2007

Assets

Cash	\$ 166,314
Investments	-
Receivables (net of allowance)	-
Due from other funds	-
	<hr/>
Total assets	<u><u>\$ 166,314</u></u>

Liabilities

Due to student groups	\$ 142,808
Due to other groups	23,506
Due to other governments	-
	<hr/>
Total liabilities	<u><u>\$ 166,314</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

The Town of Lebanon, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. The Town also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements. The basic financial statements of the Town consist of government-wide financial statements and individual fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. The general fund of this component unit has been treated as a blended component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 29. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities. The financial information of the Department has been included as a non-major special revenue fund in the fund financial statements of the Town.

The Department also provides ambulance services for which it receives ambulance billing revenue. This revenue is classified as "charges for services" revenue in the financial statements. This revenue is used by the Department to fund its ambulance services. A portion of this ambulance billing revenue is associated with ALS services for which the Town presently has an agreement with and pays Windham Regional Hospital. The Department is of the belief that the portion of their ambulance billing revenue that relates to these ALS services should be returned to the general fund of the Town to help offset the amount paid to Windham Regional Hospital. The Department returned \$45,655 to the Town during the current fiscal year for the previous three-year period. This amount is shown as an operating transfer out within the Department special revenue fund and as an operating transfer into the general fund. The Department also receives memorial and trust funds as designated by the individual donor. These funds have been shown separately as individual special revenue funds in the same manner in which Town memorial and trust funds are shown. The Hinckley and Bender memorial funds have been internally designated by the Department to be used for items associated with the fire safety complex addition. The memorial fund trust is to be used for memorial type activities.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government and discretely presented component units (if present) as well as the governmental and business type (if present) activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town. Different types of fiduciary activities and funds are pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds.

The statement of net assets presents the financial position of the governmental and business type (if present) activities of the primary government of the Town and discretely presented component units (if present) at the end of the fiscal year. This statement reports the assets, liabilities, and net assets of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net asset balance of the Town consists of the invested in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net assets are present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business type activities of the primary government of the Town and discretely presented component units (if present) of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated amongst the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal transactions between individual funds within the governmental and business type activities are eliminated in this statement. These internal transactions are also known as operating transfers in and out and are shown in the fund financial statements as such.

2. Measurement focus and basis of accounting

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting is used for both the governmental and business type (if present) activities of the primary government of the Town. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. Revenues, expenses, gains, losses, assets, and liabilities resulting from non exchange like transactions are recognized in accordance with a number of specific GASB Statement No.'s including but not limited to 24, 33, 34, and 36.

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C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net assets, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net assets. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental fund categories used by the Town include the general fund, special revenue funds, capital project funds, and permanent funds. The use and purpose of these individual governmental fund types are as follows.

- a. General fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other government or for major capital projects) that are legally restricted to expenditure for specified purposes. Resources restricted to expenditure for purposes normally financed from the general fund are accounted for through the general fund providing that any applicable legal requirements can be appropriately satisfied. The general fund of all blended component units are reported as individual special revenue funds.
- c. Capital project funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or additions and the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and which benefit its citizens.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of only agency funds which are used to report resources held by the Town in a purely custodial capacity. Fiduciary funds of the Town also consist of the funds of other organizations which use the tax identification numbers of the Town and the Board of Education to open and operate separate cash accounts.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds is segregated between reserved and unreserved amounts. All reserved fund balances must be described in sufficient detail to disclose the purpose of the reservation. All unreserved fund balances are shown by the individual fund type in which they are a part of whether they are major or non-major funds. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net assets balance of the governmental activities of the Town as shown on the government-wide statement of net assets.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net assets balance of the governmental activities of the Town as shown on the government-wide statement of activities.

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The budgetary comparison schedule is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This schedule shows the original budget as voted on and appropriated, the changes made to each individual departmental item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net assets shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net assets shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net assets. Given the type of the fiduciary funds of the Town (agency funds), this statement of changes in fiduciary net assets is not required for the current fiscal year.

2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town.

The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town.

E. Investments

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have other types of investments than those authorized by the State but they represent assets which have been donated to the Town.

F. Receivables

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts (estimated to be zero). Fund financial statement accounts receivable balances include property tax principle amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and other receivable amounts which consist primarily of school tuition and amounts due from State grant holding agents (Reich & Tang). Government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the property tax principle amounts and planned State construction principle and interest reimbursements to be made to the Town. These State reimbursements are broken down between current amounts expected to be reimbursed within one year and long-term amounts expected to be reimbursed beyond one year. The Town will book an unbilled receivable in situations when a grant or contract has been earned in part or in whole but which has not yet been fully received in cash for the amount earned. The notes receivable balance is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 9 on page 30.

G. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold.

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H. Revenue recognition - property taxes

The Town's property tax for the current year was levied May 11, 2006 on the grand list as of October 1, 2005, for the real, motor vehicle and personal property located in the Town. Taxes were due on July 1, 2006, and January 1, 2007. Interest on unpaid taxes commenced on August 1, 2006, and February 1, 2007, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principle property tax assessment with an adjustment being made for the amount of principle expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principle assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

I. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used.

J. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to budgeted transfers which were not physically made but need to be recorded to keep track of the individual fund balances and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. Expenditures for one fund paid for out of another fund are also included in these balances. The budgeted transfers referred to above are shown as operating transfers in and out on the statement of revenues, expenditures, and changes in fund balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances have been eliminated in the government-wide statement of net assets and the statement of activities.

K. Prepaid items

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. In accordance with GASB Statement No. 6, expenditures relatively minor in nature for insurances and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$5,000.

L. Capital assets

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital asset with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and its intended use. Capital assets are only shown on the government-wide statement of net assets (Statement A page 10).

All individual capital assets of the Town are depreciated over their estimated useful life using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful life for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Land and other inexhaustible capital assets are not depreciated. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense

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is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above.

M. Deferred revenue

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned are recorded as deferred revenue. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) as well as property tax revenue which has been received in advance of the fiscal year to which they apply and other miscellaneous items are recorded as deferred revenue.

N. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for) which is consistent with generally accepted accounting principles. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town in May of 2006.

O. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Lebanon does utilize encumbrance accounting. Reservation of fund balance at June 30, 2007 was \$26,964 for the general fund as it relates to the Board of Education, and \$23,237 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Q. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

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For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Town construction projects - This fund is used to account for the financial resources received and expended for three individual town projects. Construction at the elementary and middle schools are being financed by the State and the Town through annual appropriations and bonding. The fire safety complex is being financed through annual appropriations and bonding. Combining schedules of financial information for the individual projects making up this fund can be found on Schedule A on page 34.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments.
- f. Investment trusts fund - This fund is used to account for several trusts given to the town by Hugh Trumbull Adams with the revenue generated by these trusts to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house. Combining schedules of financial information for the individual trust fund designations making up this fund can be found on Schedule B on page 35.

Note 2 - Restricted cash and investments - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net assets. The other asset restricted investment amount is made up of the balance of the investments which have been donated to the Town and whose interest only is used to partially fund the operations of the Town's library, community center, and the Jonathan Trumbull Jr. house. This investment balance can also be seen on the fund financial statements balance sheet as the major fund labeled the investment trust fund. The other assets restricted cash amount is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net assets can be broken down as follows.

Community development projects	\$ 21,808
State, federal, and other grant program balances deferred	208,768
Principle balance of non-major permanent funds	313,628
Restricted donations made to the Town	549,322
	<u>\$ 1,093,526</u>

Note 3 - Cash and investments

A. Cash

Custodial credit risk - This is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. The Town's bank balances are categorized to give an indication of the level of credit risk (estimated FDIC coverage by ownership) of institutional failure (not market risk) assumed by the Town at year-end. The difference between the carrying amount and the bank balances is due to timing differences in relation to deposits in transit and outstanding checks written by the Town but not yet cleared by the bank. The three categories of credit risk are: 1) cash insured or collateralized with securities held by the Town or by its agent in the Town's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities that are held by the pledging financial institution, or by its trust department or agent but not in the Town's name.

	Carrying Amount	Bank Balance	Category		
			#1	#2	#3
Cash balances	<u>\$ 3,492,260</u>	<u>\$ 3,692,889</u>	<u>\$ 343,805</u>	<u>\$ -</u>	<u>\$ 3,349,084</u>

All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

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B. Investments

The Town's investments are categorized to give an indication of the level of credit risk (estimated SIPC coverage) of institutional failure (not market risk) assumed by the Town at year-end. The three categories of credit risk are: 1) insured or registered investments or securities held by the Town or its agent in the Town's name, 2) uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Town's name, and 3) uninsured and unregistered investments with securities held by the counterparty or by its trust department or agent but not in the Town's name.

Investment type	Fair Value	Category		
		#1	#2	#3
Repurchase agreement	\$ 1,511,860	\$ -	\$ 1,511,860	\$ -
STIF account	23,405	23,405	-	-
Cash & money markets	7,849	7,849	-	-
Fixed income	112,300	112,300	-	-
Equities	1,751,208	1,276,798	-	474,410
	3,406,622	\$ 1,420,352	\$ 1,511,860	\$ 474,410
Open-ended mutual funds	103,993			
	<u>\$ 3,510,615</u>			

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. The State Short-Term Investment Fund (STIF) account of which the Town is invested was rated as AAA by Standard and Poor's. Other fixed income, equities and stocks, and mutual funds are un-rated.

Note 4 - Inter fund receivables, payables, and transfers - fund financial statements only

The Town maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each funds position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivable and payables by individual major fund and non-major fund groups in the aggregate:

	Receivable due from	Payable due to
General fund:		
Town construction projects	\$ 2,081,139	\$ 78,705
Capital and non-recurring fund	-	537,990
Non-major special revenue funds	307,167	958,533
Non-major capital project funds	95,866	-
Non-major permanent funds	1,104	-
	<u>\$ 2,485,276</u>	<u>\$ 1,575,228</u>
Town construction projects		
General fund	<u>\$ 78,705</u>	<u>\$ 2,081,139</u>
Capital and non-recurring fund:		
General fund	<u>\$ 537,990</u>	<u>\$ -</u>

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Operating transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major fund groups in the aggregate:

	Operating transfers in	Operating transfers out
General fund:		
Town construction projects	\$ -	\$ -118,000
Capital and non-recurring fund	-	-1,015,049
Non-major special revenue funds	-	-315,000
Non-major permanent funds	8,660	-
	<u>\$ 8,660</u>	<u>\$ -1,448,049</u>
Town construction projects:		
General fund	<u>\$ 118,000</u>	<u>\$ -</u>
Capital and non-recurring fund:		
General fund	\$ 1,015,049	\$ -
Non-major special revenue funds	570,164	-
	<u>\$ 1,585,213</u>	<u>\$ -</u>
Investment trust funds:		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -54,296</u>

Note 5 - Capital assets - government-wide financial statements only

	Balance 07/01/06	Additions	Retirements	Balance 06/30/07
Governmental activities:				
Land and improvements	\$ 1,746,289	\$ 150,000	\$ -	\$ 1,896,289
Buildings and improvements	17,749,688	36,595	-	17,786,283
Vehicles	2,914,237	230,729	-	3,144,966
Equipment	506,341	112,962	-	619,303
Infrastructure	21,138,280	465,446	-	21,603,726
Construction in progress	13,092,536	2,557,176	-	15,649,713
Total at historical cost	<u>57,147,371</u>	<u>3,552,908</u>	<u>-</u>	<u>60,700,280</u>
Less accumulated depreciation for:				
Building and improvements	-7,461,552	-430,656	-	-7,892,208
Vehicles	-1,563,050	-147,294	-	-1,710,344
Equipment	-213,480	-76,074	-	-289,554
Infrastructure	-15,535,866	-358,656	-	-15,894,522
Total accumulated depreciation	<u>-24,773,948</u>	<u>-1,012,680</u>	<u>-</u>	<u>-25,786,628</u>
Total capital assets (net)	<u>\$ 32,373,423</u>	<u>\$ 2,540,228</u>	<u>\$ -</u>	<u>\$ 34,913,652</u>
Depreciation expense by function or department:		Fixed asset additions by function or department:		
General government	\$ 7,562	General government		\$ 33,285
Public safety	106,310	Public safety		46,794
Public works	62,949	Public works		207,795
Health, recreation, and social	3,561	Education		51,049
Education	457,745	Capital outlay		3,172,622
Unclassified	15,897	Unclassified		41,363
General infrastructure depreciation	358,656			<u>\$ 3,552,908</u>
	<u>\$ 1,012,680</u>			

Town of Lebanon, Connecticut
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Note 6 - Long-term liabilities - government-wide financial statements only

	Balance 07/1/06	Additions	Reductions	Balance 06/30/07	Amount due within one year
Governmental activities:					
Outstanding payables:					
\$5,750,000 bond payable	\$ 5,750,000	\$ -	\$ -385,000	\$ 5,365,000	\$ 385,000
\$4,500,000 bond payable	1,350,000	-	-225,000	1,125,000	225,000
\$486,650 bond payable	338,351	-	-22,125	316,226	23,257
\$3,955,000 bond payable	1,965,000	-	-460,000	1,505,000	450,000
\$84,609 capital leases payable	47,559	-	-12,923	34,636	13,741
Total outstanding payables	<u>9,450,910</u>	<u>-</u>	<u>-1,105,048</u>	<u>8,345,862</u>	<u>1,096,998</u>
Other liabilities:					
Accrued comp. absences (school)	31,702	5,682	-	37,384	
Accrued comp. absences (town)	36,672	4,508	-	41,180	
Accrued landfill post-closure costs	154,691	-	-9,660	145,031	
Total other liabilities	<u>223,065</u>	<u>10,190</u>	<u>-9,660</u>	<u>223,595</u>	
Total long-term liabilities	<u>\$ 9,673,975</u>	<u>\$ 10,190</u>	<u>\$ -1,114,708</u>	<u>\$ 8,569,457</u>	<u>\$ 1,096,998</u>

The following is a summary of the terms, conditions, and ending balance as of June 30, 2007 of the outstanding long-term bonds and notes payable, and capital leases payable of the Town:

Bonds and notes payable

\$5,750,000 bond payable issued in August of 2005 to finance two school renovation projects and a fire safety complex project. Annual principal installments range from \$385,000 to \$380,000 through August of 2021. Interest at 3.80%.	\$ 5,365,000
\$4,500,000 bond payable issued in August of 1991 to finance the construction of schools. Annual principal installments are \$225,000 through August of 2011. Interest at 6.44%.	1,125,000
\$486,650 bond payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 which includes interest at 5.00%. The bonds are due in February of 2018.	316,226
\$3,955,000 bond payable issued in March of 2002 in a current refunding to re-finance two previously issued school construction bonds. Annual principal installments range from \$200,000 to \$515,000 through September of 2010. Interest from 3.00% to 5.00%.	<u>1,505,000</u>
	<u>8,311,226</u>

Capital leases payable

\$84,609 capital leases payable dated in January of 2003 and commencing in July of 2003 to finance the purchase of a new telephone system by the school department. There are two individual leases making up the total for this project with each lease being payable through November of 2009. Monthly payments under these two individual lease agreements are \$1,031, and \$369 which include interest at 6.15% and an applicable property tax assessment amount.	<u>34,636</u>
	<u>\$ 8,345,862</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

The following is a summary of the total outstanding bonds and notes payable principal and interest requirements for the above referenced bonds and notes payable for the fiscal years ending June 30,:

	Principal	Interest	Total		Principal	Interest	Total
2008	\$ 1,083,257	\$ 334,745	\$ 1,418,002	2015	\$ 417,979	\$ 99,706	\$ 517,685
2009	1,069,446	286,431	1,355,877	2016	419,666	83,389	503,055
2010	1,055,698	236,443	1,292,141	2017	416,440	67,080	483,520
2011	837,012	190,836	1,027,848	2018	402,112	50,908	453,020
2012	638,395	155,661	794,056	2019	380,000	36,100	416,100
2013	414,847	132,098	546,945	2020	380,000	21,660	401,660
2014	416,374	115,941	532,315	2021	380,000	7,220	387,220
					<u>\$ 8,311,226</u>	<u>\$ 1,818,218</u>	<u>\$ 10,129,444</u>

The capital leases of the Town are for a new telephone system for the school department. The telephone system has been classified as an equipment type capital asset on the government-wide statement of net assets. The gross amount of the telephone system recorded as a capital asset is \$84,609 with the accumulated amortization (depreciation) being \$59,227 as of June 30, 2007. The following schedule represents the future minimum lease payments under these leases as of June 30, 2007 in the aggregate and for each of the five subsequent fiscal years ending June 30, reduced by the amount representing interest to determine the net present value of these payments.

2008	\$ 16,800
2009	16,800
2010	6,928
2011	-
2012	-
Total minimum lease payments	<u>40,528</u>
Less: amount representing interest	-2,721
Less: amount representing taxes	-3,171
Net present value of future minimum lease payments	<u>\$ 34,636</u>

A. Accrued compensated absences

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2007, school accumulated sick balances totaled approximately \$403,404. A current portion of these recorded liabilities cannot be reasonably estimated.

B. Accrued landfill post-closure costs

The Town of Lebanon municipal solid waste landfill was closed in October of 1993 due to new regulations imposed by the United States Environmental Protection Agency which the town was unable to meet. The cost of capping the landfill was paid for out of the Town's annual operating budget. The post-closure monitoring, which will continue for up to 30 years, will also be paid for out of the Town's annual operating budget. The Town set up a long-term liability to account for these funds being set aside for this post-closure care. In accordance with GAAP, the expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2007 the amount outstanding for post-closure monitoring was \$145,031 which is shown as a long-term liability on the government-wide statement of net assets.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

Note 7 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The following individual non-major funds had deficit fund balances as of June 30, 2007. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The dog fund, and town transfer station closure deficit fund balances are expected to be covered in subsequent fiscal years by Town appropriation, and/or program revenues. The LES and LMS building projects are being jointly financed by the State and the Town. The current deficit in these funds represents the Town's estimated portion to date which will be appropriated in the upcoming fiscal years. The remainder of these deficit fund balances represent State and Federal award programs. The deficit fund balances are the result of grant funds being spent either before they can be billed for or before they have been billed for.

Non-major special revenue funds:		Non-major capital project funds:	
Dog fund	\$ -5,321	Town transfer station closure	\$ -22,848
Agriculture viability grant	-24,982	Town bridge projects	-73,018
Rails to trails grant	-48	Major funds:	
Homeland security grant	-7,894	Town construction projects	
		LES building project	-1,074,365
		LMS building project	-632,725
			<u>-1,707,090</u>
			<u><u>\$ -1,841,201</u></u>

Note 8 - Net asset balances - invested in capital assets

The invested in capital assets, net of related debt net asset balance on the government-wide statement of net assets consisted of the following items as of June 30, 2007.

	Governmental activities
Recorded cost of capital assets	\$ 60,700,280
Less accumulated depreciation	-25,786,628
Book value of capital assets	34,913,652
Less capital assets related debt	-8,345,862
Total invested in capital assets, net of related debt	<u><u>\$ 26,567,790</u></u>

Note 9 - Net asset and fund balances - restricted and reserved

The Town received a housing rehabilitation CDBG grant from the U.S. Department of Housing and Urban Development. The purpose of the grant is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds described below. Each resident receiving benefits under this grant is required to sign a deferred partially forgivable promissory note. This note must be repaid to the Town as prescribed in the agreement with the proceeds being deposited into this loan fund and permanently used by the Town for other similar programs. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The principal amount of the loan will automatically be reduced by 10% on each consecutive anniversary of the note agreement for a maximum of 5 years or 50% of the original note balance. This forgivable portion will be shown as a bad debt item and reduce the restricted net asset balance in the government-wide financial statements and the reserved fund balance in the fund financial statements. As of June 30, 2007, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 21,808
Notes receivable (net of allowance)	344,505
Current liabilities	-19,170
Restricted net assets and reserved fund balance	-347,143
	<u><u>\$ -</u></u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

Note 10 - Employees' retirement plans

Municipal Employees' Retirement System - Fund B

A. Plan description

The Municipal Employees' Retirement System (MERS) is a cost sharing multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Municipal Employees' Retirement System, Hartford, Connecticut 04269.

B. Funding policy

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. Employees not covered by Social Security are required to contribute 5% of all earnings. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required contribution percentages for the fiscal year ending June 30, 2007 for the Town is as follows.

	Police and fire employees	General employees
With social security	8.00%	6.75%
Without social security	7.75%	7.00%

C. Contributions required and contributions made

The Town's total actual contributions for covered employees for the years ending June 30, 2007, 2006, and 2005 were \$65,498, \$58,249, and \$46,197, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

	2007	2006	2005
Contributions	\$ 49,617	\$ 42,293	\$ 30,241
Fees	2,025	2,100	2,100
Amortization	13,856	13,856	13,856
	<u>\$ 65,498</u>	<u>\$ 58,249</u>	<u>\$ 46,197</u>

D. Teachers

The Lebanon Board of Education participates in the Connecticut Teacher's Retirement Fund through the State of Connecticut Retirement Commission, for coverage of all certified teachers. The certified faculty and administrative personnel of the Board participate in a contributory defined benefit plan established under Chapter 167a of the State of Connecticut General Statutes, which is administered by the Connecticut State Teacher's Retirement Board. All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. Teachers are fully vested in their contribution up to 5% of their earnings at all times. After five years of service the teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the defined benefit plan which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The Town is not required to contribute to this plan.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

Note 11 - On-behalf payments

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2007. The pension contributions made by the State are determined on an actuarial reserve basis as described in sections 10-1831 and 10-183z, C.G.S. For the fiscal year ended June 30, 2007, the Lebanon School Department's total covered payroll was approximately \$7,909,306 and the applicable on-behalf payment percentage for the period was 12.65%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$993,409 and an education expenditure of \$993,409 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of \$993,409 and an expense in the governmental activities section under a separate education function line item of \$993,409 have been included on Statement B of the government-wide financial statements. There is no effect on the net asset balance at the end of the year.

Note 12 - Commitments and contingencies - Operating leases

The Town and more specifically the school department of the Town lease a number of photocopiers under four leases which are classified operating leases. For these leases to be classified as capital leases they must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. The following information pertain to the above mentioned operating lease agreements:

Lease #	Lease term	Monthly payments	Expiration date of lease	Fiscal year	Total monthly lease payments
1	60 months	\$ 2,624	April of 2009	2008	\$ 40,588
2	60 months	2,684	October of 2007	2009	23,616
3	60 months	291	October of 2007	2010	-
4	37 months	175	August of 2009	2011	-
				2012	-

Note 13 - Risk management, commitments and contingencies - other

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

The Board of Education of the Town settled a workers compensation claim with a former employee. In accordance with the settlement, the Board is obligated to pay 75% towards the health insurance premiums of the claimant not to exceed \$6,000 per year until the claimant reaches the age of 65 or becomes deceased. The claimant is currently 49 years old. The expenditures in relation to this settlement will be charged as they are incurred on an annual basis. No liability will be accrued by the Town in either the fund or government-wide financial statements due to the uncertainty of the duration of the claim.

A personal injury claim was directed to the Town via the Town Clerk but the incident which is part of the claim is alleged to have taken place at the Lebanon middle school. The claim has been made in the amount of \$1,000,000. The Board of Education has denied any liability in this matter and intend, in the event that a civil suit is brought, to vigorously defend the case. Another personal injury claim was directed to the Town via the Town Clerk naming the Board of Education, the Town, and others as defendants. The claim has to do with alleged personal injuries sustained from a fall from bleachers located at the Lebanon Middle School. This matter has been referred to the schools insurance company for defense. The Town Clerk received notice pursuant to Connecticut general statute §7-465 asserting an intent to commence civil action against the Town of Lebanon for injuries sustained at the Lebanon Elementary School playground. A civil personal injury action has not yet been instituted against either the Town of Lebanon or the Board of Education. This matter has been referred to the schools insurance company for defense.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2007

The Town and the Board of Education have entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board of Education has a facility management systems, temperature control and system support services contract which encompasses each of the three schools which is for a one year period beginning July 1, 2007. The annual fee under this contract is \$16,400. The Town has a cleaning and maintenance contract which encompasses a number of Town buildings and facilities. This contract was entered into during March of 2006 for a two year period at an annual rate of \$23,829 which is billed monthly. The Town also has a lawn and cemetery care maintenance contract which runs from April 15, 2007 through December 31, 2008 at annual rates of \$28,000 and 30,000 which is billed in 10 monthly installments. These monthly amounts can also be increased by either 10% or 15% per month based on the price of diesel fuel during any given month for that month. The Town and Board of Education also have a number of different construction contracts for various projects at various stages of completion. These construction contracts cover such activities as the school construction projects, the senior center construction project and bridge construction projects. The Town and Board of Education also have a number of smaller maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these construction contracts and smaller agreements can be found at the administrative offices of both the Town and the Board of Education.

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2007 may be impaired. In the opinion of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

The carrying amount of the Town's cash balances as of June 30, 2007 totaled \$3,492,260 with the related balances being carried by the various financial institutions totaling \$3,692,889. The difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. The deposits of the Town are insured by the various financial institutions through the Federal Deposit Insurance Corporation (FDIC). FDIC provides insurance on the Town's deposits in the amount of \$100,000 for its cumulative accounts at each of the various financial institutions. This coverage is based on the ownership type of the specific accounts. For the purposes of this disclosure, the cash balances of the Town have been segregated into three ownership groups. The library, the volunteer fire department, and the Town. It is conceivable that the individual financial institution could determine that the deposits of the Town should either be divided into more or less ownership groups. Therefore, the information contained in this disclosure and in note 2 is based on the above mentioned ownership groups. An increase or decrease could effect the amount of Town cash balances that are considered to be insured. Due to the use of two main financial institutions for the majority of the Town's cash, the cumulative amounts at this financial institution exceed the amount covered by FDIC. As a result, these excess balances represent uninsured cash balances and risks to the Town in the event of failure by these financial institutions. Though the failure of these financial institutions is unlikely, the risk to the Town is material. As of June 30, 2007, approximately \$3,349,084 of these financial institution balances were uninsured representing approximately 91% of the Town's total cash balances being carried by banks.

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post employment benefits other than pension benefits. The Town is required to implement this standard for the fiscal year ending after December 15, 2007 which would be the fiscal year beginning July 1, 2008. The Town does not provide any applicable benefits. The Board of Education is presently determining the applicability of the Statement as it relates to retirees presently receiving the benefit of being part of the health insurance plan of the Board of Education. The Board does not pay any portion of this health insurance.

Note 14 - Restatements and reclassifications

One restatement and reclassification was made to the financial statement balances as of June 30, 2006. A portion of the student activity cash accounts at each of the Town's three schools contained activity which was not fiduciary in nature. This had created a finding on the financial statements of the Town. During the current fiscal year the Board of Finance of the Town approved the transfer of these non-fiduciary funds to new cash accounts and also approved the carryover of leftover funds from year to year. These three new cash accounts are now classified as non-major special revenue funds with the ending balance from June 30, 2006 being added to the financial statements. The beginning cash balance of these three accounts equaled \$73,905. This reclassification increased the beginning fund balance amount in the fund financial statements from \$8,459,512 to \$8,533,417. This reclassification also increased the net assets balance amount in the government-wide financial statements from \$33,766,343 to \$33,840,248.

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Town construction projects
As of and for the year ended June 30, 2007

	LES building project	LMS building project	Fire safety complex	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts receivable (net)				
Intergovernmental	95,367	278,682	-	374,049
Other	-	-	-	-
Due from other funds	-	-	78,705	78,705
Total assets	<u>95,367</u>	<u>278,682</u>	<u>78,705</u>	<u>452,754</u>
Liabilities				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	1,169,732	911,407	-	2,081,139
Total liabilities	<u>1,169,732</u>	<u>911,407</u>	<u>-</u>	<u>2,081,139</u>
Fund balance				
Reserved	-	-	-	-
Unreserved	-1,074,365	-632,725	78,705	-1,628,385
Total fund balance	<u>-1,074,365</u>	<u>-632,725</u>	<u>78,705</u>	<u>-1,628,385</u>
Total liabilities and fund balance	<u>\$ 95,367</u>	<u>\$ 278,682</u>	<u>\$ 78,705</u>	<u>\$ 452,754</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and dividends	-	-	-	-
Net change in investment fair value	-	-	-	-
Miscellaneous	-	-	576	576
Total revenues	<u>-</u>	<u>-</u>	<u>576</u>	<u>576</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	-
Capital outlay	658,879	534,822	861,129	2,054,830
Miscellaneous	-	-	-	-
Total expenditures	<u>658,879</u>	<u>534,822</u>	<u>861,129</u>	<u>2,054,830</u>
Excess of revenues over (under) expenditures	<u>-658,879</u>	<u>-534,822</u>	<u>-860,553</u>	<u>-2,054,254</u>
Other financing sources (uses)				
Debt issuance proceeds	-	-	-	-
Operating transfers in	50,000	50,000	18,000	118,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>18,000</u>	<u>118,000</u>
Net change in fund balance	<u>-608,879</u>	<u>-484,822</u>	<u>-842,553</u>	<u>-1,936,256</u>
Fund balance - July 1	<u>-465,486</u>	<u>-147,903</u>	<u>921,258</u>	<u>307,869</u>
Fund balance - June 30	<u>\$ -1,074,365</u>	<u>\$ -632,725</u>	<u>\$ 78,705</u>	<u>\$ -1,628,385</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Investment trust funds
As of and for the year ended June 30, 2007

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	888,406	586,004	491,555	1,965,965
Accounts receivable (net)				
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>888,406</u>	<u>586,004</u>	<u>491,555</u>	<u>1,965,965</u>
Liabilities				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Reserved	-	-	-	-
Unreserved	888,406	586,004	491,555	1,965,965
Total fund balance	<u>888,406</u>	<u>586,004</u>	<u>491,555</u>	<u>1,965,965</u>
Total liabilities and fund balance	<u>\$ 888,406</u>	<u>\$ 586,004</u>	<u>\$ 491,555</u>	<u>\$ 1,965,965</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and dividends	21,069	17,326	16,089	54,484
Net change in investment fair value	181,252	103,466	70,608	355,326
Miscellaneous	-	-	-	-
Total revenues	<u>202,321</u>	<u>120,792</u>	<u>86,697</u>	<u>409,810</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	-
Capital outlay	-	-	-	-
Miscellaneous	65	65	65	195
Total expenditures	<u>65</u>	<u>65</u>	<u>65</u>	<u>195</u>
Excess of revenues over (under) expenditures	<u>202,256</u>	<u>120,727</u>	<u>86,632</u>	<u>409,615</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-21,009	-17,282	-16,005	-54,296
Total other financing sources (uses)	<u>-21,009</u>	<u>-17,282</u>	<u>-16,005</u>	<u>-54,296</u>
Net change in fund balance	181,247	103,445	70,627	355,319
Fund balance - July 1	<u>707,159</u>	<u>482,559</u>	<u>420,928</u>	<u>1,610,646</u>
Fund balance - June 30	<u>\$ 888,406</u>	<u>\$ 586,004</u>	<u>\$ 491,555</u>	<u>\$ 1,965,965</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2007

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
Assets				
Cash	\$ 1,050,323	\$ 16,984	\$ 314,668	\$ 1,381,975
Investments	-	-	9,385	9,385
Accounts receivable (net)				
Intergovernmental	13,274	-	-	13,274
Other	350,726	35,218	141	386,085
Inventories	6,962	-	-	6,962
Due from other funds	959,581	-	-	959,581
Total assets	<u>2,380,866</u>	<u>52,202</u>	<u>324,194</u>	<u>\$ 2,757,262</u>
Liabilities				
Accounts payable	42,873	-	-	42,873
Deferred property tax revenue	-	35,218	-	35,218
Due to other funds	308,138	95,866	1,181	405,185
Total liabilities	<u>351,011</u>	<u>131,084</u>	<u>1,181</u>	<u>483,276</u>
Fund balance				
Reserved	377,342	-	-	377,342
Unreserved	1,652,513	-78,882	323,013	1,896,644
Total fund balance	<u>2,029,855</u>	<u>-78,882</u>	<u>323,013</u>	<u>2,273,986</u>
Total liabilities and fund balance	<u>\$ 2,380,866</u>	<u>\$ 52,202</u>	<u>\$ 324,194</u>	<u>\$ 2,757,262</u>
Revenues				
Intergovernmental	\$ 995,741	\$ -	\$ -	\$ 995,741
Interest and dividends	46,536	-	9,280	55,816
Charges for services	439,687	-	-	439,687
Miscellaneous	297,997	11,545	9,385	318,927
Total revenues	<u>1,779,961</u>	<u>11,545</u>	<u>18,665</u>	<u>1,810,171</u>
Expenditures				
Salary and wages	595,814	-	-	595,814
Program operating costs	804,474	-	-	804,474
Capital outlay	380,375	17,879	-	398,254
Miscellaneous	337,925	-	-	337,925
Total expenditures	<u>2,118,588</u>	<u>17,879</u>	<u>-</u>	<u>2,136,467</u>
Excess of revenues over (under) expenditures	<u>-338,627</u>	<u>-6,334</u>	<u>18,665</u>	<u>-326,296</u>
Other financing sources (uses)				
Operating transfers in	402,641	-	-	402,641
Operating transfers out	-603,001	-	-9,168	-612,169
Total other financing sources (uses)	<u>-200,360</u>	<u>-</u>	<u>-9,168</u>	<u>-209,528</u>
Net change in fund balance	-538,987	-6,334	9,497	-535,824
Fund balance - July 1	<u>2,568,842</u>	<u>-72,548</u>	<u>313,516</u>	<u>2,809,810</u>
Fund balance - June 30	<u>\$ 2,029,855</u>	<u>\$ -78,882</u>	<u>\$ 323,013</u>	<u>\$ 2,273,986</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Trumbull donations fund	School lunch program	School lunch vegetable grant	Lebanon public library	Lebanon fire dept & ambulance service	Lebanon fire dept fema grant
Assets						
Cash	\$ -	\$ 95,955	\$ 2,100	\$ 34,080	\$ 304,801	\$ -
Accounts receivable (net)						
Intergovernmental	-	13,274	-	-	-	-
Other	-	-	-	2,413	-	-
Inventories	-	6,962	-	-	-	-
Due from other funds	549,322	-	-	78	-	970
Total assets	549,322	116,191	2,100	36,571	304,801	970
Liabilities						
Accounts payable	-	-	-	7,095	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	23,664	-	13,095	970	-
Total liabilities	-	23,664	-	20,190	970	-
Fund balance						
Reserved	-	6,962	-	-	-	-
Unreserved	549,322	85,565	2,100	16,381	303,831	970
Total fund balance	549,322	92,527	2,100	16,381	303,831	970
Total liabilities and fund balance	\$ 549,322	\$ 116,191	\$ 2,100	\$ 36,571	\$ 304,801	\$ 970
Revenues						
Intergovernmental - education	\$ -	\$ 82,882	\$ 23,104	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	1,850	4,650	-
Interest and dividends	16,148	184	-	-	4,554	-
Charges for services	-	304,626	-	-	119,293	-
Miscellaneous	650	17,536	-	13,103	27,584	-
Total revenues	16,798	405,228	23,104	14,953	156,081	-
Expenditures						
Salary and wages	-	239,086	3,026	88,769	-	-
Program operating costs	3,111	182,804	17,326	105,111	86,097	-
Capital outlay	2,995	16,441	-	-	153,781	-
Miscellaneous	22,363	8,969	652	13,166	54,819	-
Total expenditures	28,469	447,300	21,004	207,046	294,697	-
Excess of revenues over (under) expenditures	-11,671	-42,072	2,100	-192,093	-138,616	-
Other financing sources (uses)						
Operating transfers in	-	-	-	191,517	112,837	-
Operating transfers out	-	-	-	-	-45,655	-
Total other financing sources (uses)	-	-	-	191,517	67,182	-
Net change in fund balance	-11,671	-42,072	2,100	-576	-71,434	-
Fund balance - July 1	560,993	134,599	-	16,957	375,265	970
Fund balance - June 30	\$ 549,322	\$ 92,527	\$ 2,100	\$ 16,381	\$ 303,831	\$ 970

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Senior center CDBG grant	Housing rehab loan fund	Lebanon recreation commission	Jonathan Trumbull Jr. house	Dog fund	Adams community center
Assets						
Cash	\$ 2,225	\$ 21,808	\$ -	\$ 38,327	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	344,505	-	1,877	-	1,931
Inventories	-	-	-	-	-	-
Due from other funds	26,000	-	38,096	17,744	-	30,260
Total assets	28,225	366,313	38,096	57,948	-	32,191
Liabilities						
Accounts payable	25,766	300	5,217	671	239	2,565
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	18,870	-	-	5,082	-
Total liabilities	25,766	19,170	5,217	671	5,321	2,565
Fund balance						
Reserved	-	347,143	-	-	-	-
Unreserved	2,459	-	32,879	57,277	-5,321	29,626
Total fund balance	2,459	347,143	32,879	57,277	-5,321	29,626
Total liabilities and fund balance	\$ 28,225	\$ 366,313	\$ 38,096	\$ 57,948	\$ -	\$ 32,191
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	46,000	-	-	-	-	-
Interest and dividends	-	-	-	788	-	-
Charges for services	-	-	-	-	3,693	-
Miscellaneous	-	35,704	40,458	401	920	2,150
Total revenues	46,000	35,704	40,458	1,189	4,613	2,150
Expenditures						
Salary and wages	-	-	27,595	3,320	16,624	-
Program operating costs	-	1,800	44,872	10,215	4,701	16,132
Capital outlay	38,541	17,370	-	-	-	-
Miscellaneous	5,000	40,693	1,712	6,873	3,054	11,053
Total expenditures	43,541	59,863	74,179	20,408	24,379	27,185
Excess of revenues over (under) expenditures	2,459	-24,159	-33,721	-19,219	-19,766	-25,035
Other financing sources (uses)						
Operating transfers in	-	-	30,000	16,005	25,000	22,282
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	30,000	16,005	25,000	22,282
Net change in fund balance	2,459	-24,159	-3,721	-3,214	5,234	-2,753
Fund balance - July 1	-	371,302	36,600	60,491	-10,555	32,379
Fund balance - June 30	\$ 2,459	\$ 347,143	\$ 32,879	\$ 57,277	\$ -5,321	\$ 29,626

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Historic documents preservation	Locip surcharge	Summer dance festival	TIP	Warm hearts	Cemetery lot sales maintain
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,047
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	6,540	10,048	8,993	8,909	10,345	35,550
Total assets	6,540	10,048	8,993	8,909	10,345	72,597
Liabilities						
Accounts payable	-	-	-	1,000	20	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	1,000	20	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	6,540	10,048	8,993	7,909	10,325	72,597
Total fund balance	6,540	10,048	8,993	7,909	10,325	72,597
Total liabilities and fund balance	\$ 6,540	\$ 10,048	\$ 8,993	\$ 8,909	\$ 10,345	\$ 72,597
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	7,000	-	-	-	-	-
Interest and dividends	-	-	-	-	-	762
Charges for services	3,768	5,557	-	-	-	2,750
Miscellaneous	-	-	13,451	1,250	11,476	-
Total revenues	10,768	5,557	13,451	1,250	11,476	3,512
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	8,606	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	10,286	6,107	8,395	-
Total expenditures	8,606	-	10,286	6,107	8,395	-
Excess of revenues over (under) expenditures	2,162	5,557	3,165	-4,857	3,081	3,512
Other financing sources (uses)						
Operating transfers in	-	-	-	5,000	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	5,000	-	-
Net change in fund balance	2,162	5,557	3,165	143	3,081	3,512
Fund balance - July 1	4,378	4,491	5,828	7,766	7,244	69,085
Fund balance - June 30	\$ 6,540	\$ 10,048	\$ 8,993	\$ 7,909	\$ 10,325	\$ 72,597

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Walkway and tree fund	Adams tree fund	Historic buildings improve.	Anthem demutual. Proceeds	Vo-agr. equipment grant	Unimproved town roads
Assets						
Cash	\$ -	\$ 3,799	\$ 9,850	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	1,810	-	-	82,859	-	34,344
Total assets	1,810	3,799	9,850	82,859	-	34,344
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	1,810	3,799	9,850	82,859	-	34,344
Total fund balance	1,810	3,799	9,850	82,859	-	34,344
Total liabilities and fund balance	\$ 1,810	\$ 3,799	\$ 9,850	\$ 82,859	\$ -	\$ 34,344
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ 6,254	\$ -
Intergovernmental - other	-	-	-	-	-	45,135
Interest and dividends	-	78	202	17,944	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	78	202	17,944	6,254	45,135
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	47,578
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	47,578
Excess of revenues over (under) expenditures	-	78	202	17,944	6,254	-2,443
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-450,000	-	-
Total other financing sources (uses)	-	-	-	-450,000	-	-
Net change in fund balance	-	78	202	-432,056	6,254	-2,443
Fund balance - July 1	1,810	3,721	9,648	514,915	-6,254	36,787
Fund balance - June 30	\$ 1,810	\$ 3,799	\$ 9,850	\$ 82,859	\$ -	\$ 34,344

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Rails to trails grant	Pavilion construction grant	State aid drug abuse	Per capita grant	Special trust fund	Teen center trust
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	628	-	-	-
Total assets	-	-	628	-	-	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	48	-	-	-	-	-
Total liabilities	48	-	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-48	-	628	-	-	-
Total fund balance	-48	-	628	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ 628	\$ -	\$ -	\$ -
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	93,204	-	-	3,540	-	-
Interest and dividends	-	-	-	-	2,509	27
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	93,204	-	-	3,540	2,509	27
Expenditures						
Salary and wages	-	-	-	3,540	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	92,332	-	-	-	-	-
Miscellaneous	872	2,225	-	-	-	7,033
Total expenditures	93,204	2,225	-	3,540	-	7,033
Excess of revenues over (under) expenditures	-	-2,225	-	-	2,509	-7,006
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-74,509	-
Total other financing sources (uses)	-	-	-	-	-74,509	-
Net change in fund balance	-	-2,225	-	-	-72,000	-7,006
Fund balance - July 1	-48	2,225	628	-	72,000	7,006
Fund balance - June 30	\$ -48	\$ -	\$ 628	\$ -	\$ -	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Technology wiring grant	Agriculture viability grant	Homeland security grant	Hinckley fire dept. trust	Bender fire dept. trust	Memorial fire dept trust
Assets						
Cash	\$ -	\$ -	\$ -	\$ 30,878	\$ -	\$ 23,722
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	91,085	-	-	-	-	-
Total assets	91,085	-	-	30,878	-	23,722
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	24,982	7,894	-	-	-
Total liabilities	-	24,982	7,894	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	91,085	-24,982	-7,894	30,878	-	23,722
Total fund balance	91,085	-24,982	-7,894	30,878	-	23,722
Total liabilities and fund balance	\$ 91,085	\$ -	\$ -	\$ 30,878	\$ -	\$ 23,722
Revenues						
Intergovernmental - education	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	68,472	-	-	-
Interest and dividends	-	-	-	1,028	74	239
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	860
Total revenues	150,000	-	68,472	1,028	74	1,099
Expenditures						
Salary and wages	-	1,387	-	-	-	-
Program operating costs	-	23,595	76,366	-	-	-
Capital outlay	58,915	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	58,915	24,982	76,366	-	-	-
Excess of revenues over (under) expenditures	91,085	-24,982	-7,894	1,028	74	1,099
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-27,568	-5,269	-
Total other financing sources (uses)	-	-	-	-27,568	-5,269	-
Net change in fund balance	91,085	-24,982	-7,894	-26,540	-5,195	1,099
Fund balance - July 1	-	-	-	57,418	5,195	22,623
Fund balance - June 30	\$ 91,085	\$ -24,982	\$ -7,894	\$ 30,878	\$ -	\$ 23,722

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Jared Hinckley scholar.	Kalmon Kurcinik scholar.	Mary Chase scholar.	Robert L. Hanover scholar.	Richard Woyasz scholar.	Flegert Ausburger scholar.
Assets						
Cash	\$ 50,086	\$ 10,062	\$ 7,854	\$ 3,396	\$ 1,866	\$ 2,342
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>50,086</u>	<u>10,062</u>	<u>7,854</u>	<u>3,396</u>	<u>1,866</u>	<u>2,342</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	50,086	10,062	7,854	3,396	1,866	2,342
Total fund balance	<u>50,086</u>	<u>10,062</u>	<u>7,854</u>	<u>3,396</u>	<u>1,866</u>	<u>2,342</u>
Total liabilities and fund balance	<u>\$ 50,086</u>	<u>\$ 10,062</u>	<u>\$ 7,854</u>	<u>\$ 3,396</u>	<u>\$ 1,866</u>	<u>\$ 2,342</u>
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	1,125	409	31	153	69	46
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>1,125</u>	<u>409</u>	<u>31</u>	<u>153</u>	<u>69</u>	<u>46</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	1,128	350	-	500	201	-
Total expenditures	<u>1,128</u>	<u>350</u>	<u>-</u>	<u>500</u>	<u>201</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-3</u>	<u>59</u>	<u>31</u>	<u>-347</u>	<u>-132</u>	<u>46</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-3</u>	<u>59</u>	<u>31</u>	<u>-347</u>	<u>-132</u>	<u>46</u>
Fund balance - July 1	<u>50,089</u>	<u>10,003</u>	<u>7,823</u>	<u>3,743</u>	<u>1,998</u>	<u>2,296</u>
Fund balance - June 30	<u>\$ 50,086</u>	<u>\$ 10,062</u>	<u>\$ 7,854</u>	<u>\$ 3,396</u>	<u>\$ 1,866</u>	<u>\$ 2,342</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Nicholas Trahan scholar.	Ed Lazur scholar.	Brian Anderson scholar.	Scott Opal scholar.	Lebanon school prizes	William T. Valvo scholar.
Assets						
Cash	\$ 10,399	\$ -	\$ -	\$ -	\$ 1,138	\$ 242
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	10,399	-	-	-	1,138	242
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	10,399	-	-	-	1,138	242
Total fund balance	10,399	-	-	-	1,138	242
Total liabilities and fund balance	\$ 10,399	\$ -	\$ -	\$ -	\$ 1,138	\$ 242
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	113	26	12	-	4	10
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	113	26	12	-	4	10
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	500	1,207	342	93	-	75
Total expenditures	500	1,207	342	93	-	75
Excess of revenues over (under) expenditures	-387	-1,181	-330	-93	4	-65
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-387	-1,181	-330	-93	4	-65
Fund balance - July 1	10,786	1,181	330	93	1,134	307
Fund balance - June 30	\$ 10,399	\$ -	\$ -	\$ -	\$ 1,138	\$ 242

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Marvin Bennett scholar.	Title I basic \$85,279 7/05 - 6/07	Title I basic \$71,740 7/06 - 6/08	Title II A teachers \$31,574 7/05 - 6/07	Title II A teachers \$31,037 7/06 - 6/08	Title II D technology \$1,516 7/05 - 6/07
Assets						
Cash	\$ -	\$ -	\$ 58,040	\$ 1,365	\$ 3,786	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-	-	58,040	1,365	3,786	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	58,040	1,365	-	-
Total liabilities	-	-	58,040	1,365	-	-
Fund balance						
Reserved	-	-	-	-	1,786	-
Unreserved	-	-	-	-	2,000	-
Total fund balance	-	-	-	-	3,786	-
Total liabilities and fund balance	\$ -	\$ -	\$ 58,040	\$ 1,365	\$ 3,786	\$ -
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ 71,740	\$ 771	\$ 31,037	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	1	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	1	-	71,740	771	31,037	-
Expenditures						
Salary and wages	-	-	58,040	-	-	-
Program operating costs	-	-716	13,700	771	27,251	-106
Capital outlay	-	-	-	-	-	-
Miscellaneous	224	-	-	-	-	-
Total expenditures	224	-716	71,740	771	27,251	-106
Excess of revenues over (under) expenditures	-223	716	-	-	3,786	106
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-223	716	-	-	3,786	106
Fund balance - July 1	223	-716	-	-	-	-106
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ 3,786	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Title II D technology \$550 7/06 - 6/08	Title IV drug free \$4,658 7/05 - 6/07	Title IV drug free \$3,690 7/06 - 6/08	Title V strategies \$4,283 7/05 - 6/07	Title V strategies \$2,251 7/06 - 6/08	IDEA Part B section 611 \$246,884 7/05 - 6/07
Assets						
Cash	\$ 300	\$ -	\$ 2,676	\$ -	\$ 886	\$ 7,608
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	300	-	2,676	-	886	7,608
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	2,676	-	-	-
Total liabilities	-	-	2,676	-	-	-
Fund balance						
Reserved	300	-	-	-	-	5,290
Unreserved	-	-	-	-	886	2,318
Total fund balance	300	-	-	-	886	7,608
Total liabilities and fund balance	\$ 300	\$ -	\$ 2,676	\$ -	\$ 886	\$ 7,608
Revenues						
Intergovernmental - education	\$ 550	\$ 1,337	\$ 3,690	\$ 32	\$ 2,251	\$ 40,143
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	550	1,337	3,690	32	2,251	40,143
Expenditures						
Salary and wages	-	-	2,676	-	1,365	-
Program operating costs	250	1,337	1,014	32	-	32,535
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	250	1,337	3,690	32	1,365	32,535
Excess of revenues over (under) expenditures	300	-	-	-	886	7,608
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	300	-	-	-	886	7,608
Fund balance - July 1	-	-	-	-	-	-
Fund balance - June 30	\$ 300	\$ -	\$ -	\$ -	\$ 886	\$ 7,608

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	IDEA Part B section 611 \$248,515 7/06 - 6/08	IDEA Part B section 619 \$10,335 7/06 - 6/08	Perkins vocational \$45,813 7/06 - 6/07	Adult education \$7,436 7/06 - 6/07	NECASA \$2,285 7/05 - 6/06	NECASA \$2,285 7/06 - 6/07
Assets						
Cash	\$ 195,119	\$ -	\$ 10,054	\$ 7,436	\$ 10	\$ 1,683
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	195,119	-	10,054	7,436	10	1,683
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	146,811	-	2,290	-	-	1,285
Total liabilities	146,811	-	2,290	-	-	1,285
Fund balance						
Reserved	661	-	7,764	7,436	-	-
Unreserved	47,647	-	-	-	10	398
Total fund balance	48,308	-	7,764	7,436	10	398
Total liabilities and fund balance	\$ 195,119	\$ -	\$ 10,054	\$ 7,436	\$ 10	\$ 1,683
Revenues						
Intergovernmental - education	\$ 248,515	\$ 10,335	\$ 45,813	\$ 7,436	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,285
Total revenues	248,515	10,335	45,813	7,436	-	2,285
Expenditures						
Salary and wages	146,811	-	2,290	-	-	1,285
Program operating costs	53,396	10,335	35,759	-	-	602
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	200,207	10,335	38,049	-	-	1,887
Excess of revenues over (under) expenditures	48,308	-	7,764	7,436	-	398
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	48,308	-	7,764	7,436	-	398
Fund balance - July 1	-	-	-	-	10	-
Fund balance - June 30	\$ 48,308	\$ -	\$ 7,764	\$ 7,436	\$ 10	\$ 398

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2007

	Prior years school grants	LES school activities	LMS school activities	LHS school activities	Totals
Assets					
Cash	\$ -4,658	\$ 34,356	\$ 6,353	\$ 33,332	\$ 1,050,323
Accounts receivable (net)					
Intergovernmental	-	-	-	-	13,274
Other	-	-	-	-	350,726
Inventories	-	-	-	-	6,962
Due from other funds	6,000	-	-	-	959,581
Total assets	<u>1,342</u>	<u>34,356</u>	<u>6,353</u>	<u>33,332</u>	<u>2,380,866</u>
Liabilities					
Accounts payable	-	-	-	-	42,873
Deferred revenue	-	-	-	-	-
Due to other funds	1,066	-	-	-	308,138
Total liabilities	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,011</u>
Fund balance					
Reserved	-	-	-	-	377,342
Unreserved	276	34,356	6,353	33,332	1,652,513
Total fund balance	<u>276</u>	<u>34,356</u>	<u>6,353</u>	<u>33,332</u>	<u>2,029,855</u>
Total liabilities and fund balance	<u>\$ 1,342</u>	<u>\$ 34,356</u>	<u>\$ 6,353</u>	<u>\$ 33,332</u>	<u>\$ 2,380,866</u>
Revenues					
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ 725,890
Intergovernmental - other	-	-	-	-	269,851
Interest and dividends	-	-	-	-	46,536
Charges for services	-	-	-	-	439,687
Miscellaneous	-	38,083	43,085	49,001	297,997
Total revenues	<u>-</u>	<u>38,083</u>	<u>43,085</u>	<u>49,001</u>	<u>1,779,961</u>
Expenditures					
Salary and wages	-	-	-	-	595,814
Program operating costs	-	-	-	-	804,474
Capital outlay	-	-	-	-	380,375
Miscellaneous	-	26,004	43,054	60,975	337,925
Total expenditures	<u>-</u>	<u>26,004</u>	<u>43,054</u>	<u>60,975</u>	<u>2,118,588</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>12,079</u>	<u>31</u>	<u>-11,974</u>	<u>-338,627</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	402,641
Operating transfers out	-	-	-	-	-603,001
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-200,360</u>
Net change in fund balance	-	12,079	31	-11,974	-538,987
Fund balance - July 1	<u>276</u>	<u>22,277</u>	<u>6,322</u>	<u>45,306</u>	<u>2,568,842</u>
Fund balance - June 30	<u>\$ 276</u>	<u>\$ 34,356</u>	<u>\$ 6,353</u>	<u>\$ 33,332</u>	<u>\$ 2,029,855</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major capital project funds
As of and for the year ended June 30, 2007

	Transfer station closure	Lake Williams project	Town bridge projects	Totals
Assets				
Cash	\$ -	\$ 16,984	\$ -	\$ 16,984
Accounts receivable (net)				
Property taxes	-	35,218	-	35,218
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Total assets	-	52,202	-	52,202
Liabilities				
Accounts payable	-	-	-	-
Deferred property tax revenue	-	35,218	-	35,218
Due to other funds	22,848	-	73,018	95,866
Total liabilities	22,848	35,218	73,018	131,084
Fund balance				
Reserved	-	-	-	-
Unreserved	-22,848	16,984	-73,018	-78,882
Total fund balance	-22,848	16,984	-73,018	-78,882
Total liabilities and fund balance	\$ -	\$ 52,202	\$ -	\$ 52,202
Revenues				
Property tax revenue, interest, liens	\$ -	\$ 11,545	\$ -	\$ 11,545
Intergovernmental - other	-	-	-	-
Interest and dividends	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	11,545	-	11,545
Expenditures				
Capital outlay	-	-	17,879	17,879
Dept service principle	-	-	-	-
Debt service interest	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	-	-	17,879	17,879
Excess of revenues over (under) expenditures	-	11,545	-17,879	-6,334
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	11,545	-17,879	-6,334
Fund balance - July 1	-22,848	5,439	-55,139	-72,548
Fund balance - June 30	\$ -22,848	\$ 16,984	\$ -73,018	\$ -78,882

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2007

	Cummings scholarship	George Lyman scholarship	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
Assets						
Cash	\$ 197,303	\$ 42,878	\$ 10,592	\$ 10,155	\$ 8,405	\$ 7,033
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	100	22	2	5	-	-
Due from other funds	-	-	-	-	-	-
Total assets	197,403	42,900	10,594	10,160	8,405	7,033
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	358	195	53	160	45	33
Total liabilities	358	195	53	160	45	33
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	197,045	42,705	10,541	10,000	8,360	7,000
Total fund balance	197,045	42,705	10,541	10,000	8,360	7,000
Total liabilities and fund balance	\$ 197,403	\$ 42,900	\$ 10,594	\$ 10,160	\$ 8,405	\$ 7,033
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	5,982	1,299	342	308	293	213
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	5,982	1,299	342	308	293	213
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	5,982	1,299	342	308	293	213
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-5,982	-1,299	-342	-308	-293	-213
Total other financing sources (uses)	-5,982	-1,299	-342	-308	-293	-213
Net change in fund balance	-	-	-	-	-	-
Fund balance - July 1	197,045	42,705	10,541	10,000	8,360	7,000
Fund balance - June 30	\$ 197,045	\$ 42,705	\$ 10,541	\$ 10,000	\$ 8,360	\$ 7,000

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2007

	Town deposit scholarship	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant school	EL Reichard nursing scholarship
Assets						
Cash	\$ 6,566	\$ 6,490	\$ 6,136	\$ 5,743	\$ 4,352	\$ 3,046
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	3	3	-	2	2
Due from other funds	-	-	-	-	-	-
Total assets	<u>6,566</u>	<u>6,493</u>	<u>6,139</u>	<u>5,743</u>	<u>4,354</u>	<u>3,048</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	4	93	89	-	69	48
Total liabilities	<u>4</u>	<u>93</u>	<u>89</u>	<u>-</u>	<u>69</u>	<u>48</u>
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	6,562	6,400	6,050	5,743	4,285	3,000
Total fund balance	<u>6,562</u>	<u>6,400</u>	<u>6,050</u>	<u>5,743</u>	<u>4,285</u>	<u>3,000</u>
Total liabilities and fund balance	<u>\$ 6,566</u>	<u>\$ 6,493</u>	<u>\$ 6,139</u>	<u>\$ 5,743</u>	<u>\$ 4,354</u>	<u>\$ 3,048</u>
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	26	197	186	112	132	92
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>26</u>	<u>197</u>	<u>186</u>	<u>112</u>	<u>132</u>	<u>92</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>26</u>	<u>197</u>	<u>186</u>	<u>112</u>	<u>132</u>	<u>92</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-26	-197	-186	-	-132	-92
Total other financing sources (uses)	<u>-26</u>	<u>-197</u>	<u>-186</u>	<u>-</u>	<u>-132</u>	<u>-92</u>
Net change in fund balance	-	-	-	112	-	-
Fund balance - July 1	<u>6,562</u>	<u>6,400</u>	<u>6,050</u>	<u>5,631</u>	<u>4,285</u>	<u>3,000</u>
Fund balance - June 30	<u>\$ 6,562</u>	<u>\$ 6,400</u>	<u>\$ 6,050</u>	<u>\$ 5,743</u>	<u>\$ 4,285</u>	<u>\$ 3,000</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2007

	Flora Williams school	Local school	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
Assets						
Cash	\$ 2,028	\$ 1,937	\$ 1,000	\$ 1,004	\$ -	\$ 314,668
Investments	-	-	-	-	9,385	9,385
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	1	-	-	1	-	141
Due from other funds	-	-	-	-	-	-
Total assets	<u>2,029</u>	<u>1,937</u>	<u>1,000</u>	<u>1,005</u>	<u>9,385</u>	<u>324,194</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	29	-	-	5	-	1,181
Total liabilities	<u>29</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>1,181</u>
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	2,000	1,937	1,000	1,000	9,385	323,013
Total fund balance	<u>2,000</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>9,385</u>	<u>323,013</u>
Total liabilities and fund balance	<u>\$ 2,029</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,005</u>	<u>\$ 9,385</u>	<u>\$ 324,194</u>
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	61	5	2	30	-	9,280
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	9,385	9,385
Total revenues	<u>61</u>	<u>5</u>	<u>2</u>	<u>30</u>	<u>9,385</u>	<u>18,665</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>61</u>	<u>5</u>	<u>2</u>	<u>30</u>	<u>9,385</u>	<u>18,665</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-61	-5	-2	-30	-	-9,168
Total other financing sources (uses)	<u>-61</u>	<u>-5</u>	<u>-2</u>	<u>-30</u>	<u>-</u>	<u>-9,168</u>
Net change in fund balance	-	-	-	-	9,385	9,497
Fund balance - July 1	<u>2,000</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>313,516</u>
Fund balance - June 30	<u>\$ 2,000</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 9,385</u>	<u>\$ 323,013</u>

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2007

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 12,502,732
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	11,545
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>31,044</u>
Total base	<u><u>\$ 12,545,321</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 28,226,972	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	56,453,944	-	-	-
3 3/4 times base	-	-	47,044,954	-	-
3 1/4 times base	-	-	-	40,772,293	-
3 times base	-	-	-	-	37,635,963
Total debt limitation	<u>28,226,972</u>	<u>56,453,944</u>	<u>47,044,954</u>	<u>40,772,293</u>	<u>37,635,963</u>

Indebtedness:

Bonds payable	1,603,826	6,707,400	-	-	-
Bonds authorized and unissued	-	9,880,000	-	-	-
Notes payable	-	-	-	-	-
Capital leases payable	-	34,636	-	-	-
Accrued compensated absences:					
School employees	-	37,384	-	-	-
Town employees	41,180	-	-	-	-
Accrued post closure landfill costs	<u>145,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,790,037</u>	<u>16,659,420</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u>\$ 26,436,935</u>	<u>\$ 39,794,524</u>	<u>\$ 47,044,954</u>	<u>\$ 40,772,293</u>	<u>\$ 37,635,963</u>
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Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$87,817,247 which is well above the \$18,449,457 current amount of outstanding and authorized and unissued debt of the Town.

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2007

Grand list	Uncollected taxes 06/30/06	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2005	\$ -494	\$ 12,366,896	\$ 27,509	\$ -65,611	\$ 12,328,300
2004	243,747	-	1,981	-4,145	241,583
2003	77,343	-	516	-615	77,244
2002	34,220	-	-	-268	33,952
2001	23,223	-	-	-130	23,093
2000	19,891	-	-	-406	19,485
1999	16,499	-	-	-	16,499
1998	12,038	-	-	-	12,038
1997	6,280	-	-	-	6,280
1996	1,028	-	-	-	1,028
1995	-	-	-	-	-
1994	-	-	6	-95	-89
1993	-	-	-	-	-
1992	-	-	-	-	-
1991	-	-	-	-	-
1990	-	-	-	-	-
1989	-	-	-	-	-
1988	-	-	-	-	-
	<u>\$ 433,775</u>	<u>\$ 12,366,896</u>	<u>\$ 30,012</u>	<u>\$ -71,270</u>	<u>\$ 12,759,413</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2007

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/07
	Taxes	Interest	Lien fees			
2005	\$ 12,028,168	\$ 64,688	\$ 1,002	\$ 12,093,858	\$ -	\$ 300,132
2004	164,136	33,875	2,136	200,147	-	77,447
2003	34,364	13,043	576	47,983	-14,330	28,550
2002	16,681	8,274	384	25,339	268	17,539
2001	9,898	7,318	240	17,456	130	13,325
2000	11,474	12,695	168	24,337	-	8,011
1999	10,805	11,107	216	22,128	-	5,694
1998	8,778	10,749	192	19,719	-	3,260
1997	5,163	7,908	106	13,177	-	1,117
1996	41	64	24	129	-	987
1995	-	-	-	-	-	-
1994	-89	-	-	-89	-	-
1993	-	-	-	-	-	-
1992	-	-	-	-	-	-
1991	-	-	-	-	-	-
1990	-	-	-	-	-	-
1989	-	-	-	-	-	-
1988	-	-	-	-	-	-
	<u>\$ 12,289,419</u>	<u>\$ 169,721</u>	<u>\$ 5,044</u>	<u>\$ 12,464,184</u>	<u>\$ -13,932</u>	<u>\$ 456,062</u>

- A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property taxes, interest, and liens revenue balance on Statement D, Statement E, or Schedule G. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Schedule G.

\$ 12,366,896	Current year taxes levied from page 54
169,721	Tax interest collections during the current fiscal year from above
3,086	Suspense interest collections during the current fiscal year
5,044	Tax lien fee collections during the current fiscal year from above
3,868	Suspense principle balance collections during the current fiscal year
-13,932	Account balances transferred to suspense during the current fiscal year from above
-41,258	The net lawful corrections made during the current fiscal year from page 54
9,307	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>\$ 12,502,732</u>	Property taxes, interest, and liens balance per Statement D, Statement E, & Schedule G

- B - Operation of Law - No tax can be collected 15 years after the original due date.

- C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$3,868 was collected on principle suspense tax balances owed and \$3,086 of interest was collected on principle suspense tax balances owed. The two adjustments shown above for \$268 and \$130 represent lawful corrections made to accounts which had already been transferred to suspense.

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards
For the year ended June 30, 2007

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Agriculture			
Passed through State of Connecticut - Department of Education			
USDA commodities received	10.550	-	\$ -
School breakfast program	10.553	12060-SDE64370-20508-2006 12060-SDE64370-20508-2007	2,697 7,270 <u>9,967</u>
School lunch program	10.555	12060-SDE64370-20560-2006 12060-SDE64370-20560-2007	15,284 41,580 <u>56,864</u>
School milk program	10.556	12060-SDE64370-20500-2006 12060-SDE64370-20500-2007	497 1,297 <u>1,794</u>
Fresh fruit & vegetable program	10.582	12060-SDE64370-22051-2006	<u>21,004</u>
Total U.S. Department of Agriculture			<u>89,629</u>
U.S. Department of Housing and Urban Development			
Passed through State of Connecticut - Department of Economic and Community Development			
Small cities program - Senior center construction grant	14.219	12060-ECD46350-20730-2007	<u>43,540</u>
U.S. Department of Education			
Passed through State of Connecticut - Department of Education			
Title I - Improving basic programs	84.010	12060-SDE64370-20679-2007	<u>71,740</u>
Carl D. Perkins vocational & technology education act	84.048	12060-SDE64370-20742-2007	<u>38,048</u>
Idea Part B - Section 611 Disabilities	84.027	12060-SDE64370-20977-2007 12060-SDE64370-20977-2006	200,207 44,900 <u>245,107</u>
Idea Part B - Section 619 Pre-school grants	84.173	12060-SDE64370-20983-2006 12060-SDE64370-20983-2007	8,259 10,335 <u>18,594</u>
Title IV - Safe and drug free schools	84.186	12060-SDE64370-20873-2006 12060-SDE64370-20873-2007	2,158 3,690 <u>5,848</u>

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards (continued)
For the year ended June 30, 2007

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Education			
Passed through State of Connecticut - Department of Education (continued)			
Title VI - Innovative education strategies	84.298	12060-SDE64370-20909-2007 12060-SDE64370-20909-2006	\$ 1,365 1,783 <u>3,148</u>
Title II Part D - Technology	84.318	12060-SDE64370-20826-2007	<u>250</u>
Title II Part A - Teachers	84.367	12060-SDE64370-20858-2007 12060-SDE64370-20858-2006	27,251 11,574 <u>38,825</u>
Total U.S. Department of Education			<u>421,561</u>
U.S. Department of Homeland Security			
Passed through State of Connecticut Department of Emergency Management & Homeland Security			
State domestic preparedness equipment support program	97.004	12060-EHS99530-21877-2004	44,450
Homeland security grant program	97.067	12060-EHS99530-21877-2005	<u>24,022</u>
Total U.S. Department of Homeland Security			<u>68,472</u>
Total Expenditures of Federal Awards			<u><u>\$ 623,201</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of federal awards
June 30, 2007

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant and contract activity of the Town of Lebanon, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The expenditure amounts shown on the accompanying schedule include reimbursable expenditures which have been incurred by the Town and therefore included as expenditures but which have not yet been reimbursed and are considered and may be recorded as accounts receivable. In accordance with OMB Circular A-133 section § ___.205 (a), the determination of when an award is expended should be based on when the activity related to the award occurs.

There is no dollar value shown for donated USDA commodities due to the fact that the fair market value of the commodities received during the current fiscal year by the school lunch program was not disclosed during the audit. Not including this amount is not in accordance with OMB Circular A-133. Invoices were made available as to the amount of the processing charges assessed on these commodities. The total of the processing charges shown on the supplied invoices totaled \$1,411 as provided by the school lunch program for the vendor which supplies the USDA commodities.

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

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Independent Auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Selectmen
Town of Lebanon, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated January 9, 2008. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Lebanon, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Lebanon, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Lebanon, Connecticut's internal control. We consider the deficiencies described in the accompanying schedule of findings, questioned costs, and responses to be significant deficiencies in internal control over financial reporting. These significant deficiencies are identified as items 06-01F, 05-01F, 05-02F, and 07-01F.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Lebanon, Connecticut's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01F and 07-01F to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

The Town of Lebanon, Connecticut's response to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and responses. We did not audit the Town of Lebanon, Connecticut's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 9, 2008

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 885 - 5215

Independent Auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the compliance of Town of Lebanon, Connecticut, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs, and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Lebanon, Connecticut's Management. Our responsibility is to express an opinion on Town of Lebanon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of Lebanon, Connecticut's response to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and responses. We did not audit the Town of Lebanon, Connecticut's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 9, 2008

Town of Lebanon, Connecticut
Schedule of finding, questioned costs, and responses
June 30, 2007

Summary of Audit Results

The following is a summary of the results of the audit of the basic financial statements of the Town of Lebanon, Connecticut as of and for the year ended June 30, 2007 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* §____.505(d)(1).

- (i) A qualified opinion was issued on the basic financial statements of the auditee as described in the Independent Auditors' Report found on page 1 and 2 of the basic financial statements.
- (ii) There were four reportable conditions in internal control disclosed by the audit of the basic financial statements of the auditee. These reportable conditions are referenced in the accompanying schedule of findings and questioned costs as item numbers 06-01F, 05-01F, 05-02F, and 07-01F.
- (iii) The audit did not disclose any instances of noncompliance which we believe could be material to the basic financial statements of the auditee.
- (iv) There were no reportable conditions in internal control over compliance for major programs disclosed by the audit of the basic financial statements of the auditee.
- (v) An unqualified opinion was issued on compliance for major programs of the auditee.
- (vi) There were four audit findings disclosed by the audit of the basic financial statements of the auditee which are defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3).
- (vii) The following programs (cfda numbers) were considered major for auditing purposes. Major programs for testing purposes were determined in accordance with §____.520 (e) (1) and (2) (B). Under these sections, All type A programs must be tested except those identified as low-risk under section (c)(1). The Town did not have any type A programs to chose from for testing purposes. Therefore, in order to meet the required percentage of coverage, the type B programs of the Town were assessed in regard to risk with the following type B programs being selected and tested as major.

Idea Part B - Section 611	CFDA # 84.027	\$ 245,107	Type B
Title I - Improving basic programs	CFDA # 84.010	<u>71,740</u>	Type B
		<u>\$ 316,847</u>	

- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The auditee qualified as a high-risk auditee under §____.530. In accordance with section §____.520 (f) federal programs must be tested that in the aggregate encompass at least 50% of the total federal awards expended by the Town. Total federal awards expended by the Town were \$623,201. The programs and expenditures noted above in item (vii) represent 50.84% of the total federal awards expended.

Findings Related to Financial Statements

There were four findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §____.505(d)(2). These four findings are related to internal control over financial reporting and are referenced in the accompanying schedule of findings and questioned costs as item numbers 06-01F, 05-01F, 05-02F, and 07-01F.

Findings, Questioned Costs, and Responses for Federal Awards

There were no findings and questioned costs for Federal Awards which shall include audit findings as defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3).

Summary Schedule of Prior Audit Findings

There were no findings, questioned costs, and responses related to federal award programs reported in the audit report for the Town of Lebanon, Connecticut for the year ended June 30, 2006. Therefore, no schedule has been included.

Town of Lebanon, Connecticut
Schedule of finding, questioned costs, and responses (continued)
June 30, 2007

06-01F Accounting policies and procedures manual

The Town does not have an accurate and in-depth accounting policies and procedures manual at this time. This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll. The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Recommendation and management response

The Board of Finance should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Town and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. This manual, drafted by the accounting department, should address the general accounting functions of the department and the overall financial policies of the Town as well as any other specific area (s) as so requested by the Board of Finance or other members of management of the Town. The final draft should be presented to the Board of Finance for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Finance for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Finance for approval. I believe that the management of the Town understands the importance of having proper internal controls and an accurate and in-depth accounting policies and procedures manual to help ensure the safeguarded of its' assets. I also believe that through conversations with a number of members of management, that an adequate set of policies and procedures will be developed and implemented to address this finding.

05-01F Bank reconciliations - Lebanon Fire Department & Ambulance Services and the Student activity accounts

The bank reconciliations prepared by the Lebanon Fire Department & Ambulance Services do not contain the initials of any reviewer or dates of any review made. Bank reconciliations should be reviewed by an individual outside of the reconciliation, cash disbursement, and cash receipting process. This type of policy or procedure is designed to safeguard the assets of an organization by having an individual separate of the accounting function review the cash activity of the organization for any items that appear to be out of the ordinary in amount and description. Bank reconciliations prepared for the student activity accounts of the elementary, middle, and high school do not contain the initials of the individual preparing the reconciliation. This type of policy is designed to safeguard the assets of the organization by showing who the individual is that is preparing the bank reconciliations and that there is an adequate separation of duties between the individuals responsible for preparing and reviewing said reconciliations.

Recommendation and management response

We recommend that these four groups develop a policy whereby all bank reconciliations are to be consistently signed and dated when prepared and when reviewed. In addition, the policy should state that this reconciliation should be prepared and properly documented within 30 days of the end of each monthly bank statement. All four groups are presently using either quick books or quicken which all contain a quick and easy to use reconciliation procedure. In the example of the three student activity checking accounts, the money contained within these accounts is designed to be in a custodian capacity and therefore a greater level of urgency should be placed on ensuring the safeguarding of these assets. I believe that the management of the Town and its component units understand the importance of having proper internal controls and policies and procedures to ensure the safeguarded of its' assets. I also believe that through conversations with a number of members of management, that an adequate set of policies and procedures will be developed and implemented to address this finding.

Town of Lebanon, Connecticut
Schedule of finding, questioned costs, and responses (continued)
June 30, 2007

05-02F Cash disbursements - Lebanon Fire Department & Ambulance Services and the School lunch program

Invoices paid by these two groups do not contain any type of signature, initials, or date by an approving or authorizing individual. As a result, it cannot be determined whether the invoices have been approved or authorized by the individual (s) who are responsible for this activity. In addition, if it cannot be determined that an authorized individual is reviewing all invoices, it also cannot be determined whether or not payments are being made on invoices for goods and services that were never ordered or performed. In cases in which these expenditures were charged to State or Federal grant programs, the grantor agencies could disallow the expenditures and require these groups to pay the grantor agencies back any expenditures in question. The purpose of this type of internal control policy and procedure is to provide a reasonable level of assurance that the objective of both the Town and any of its component units are being achieved and that its' assets are being safeguarded.

Recommendation and management response

We recommend that these two groups develop a policy whereby all invoices being paid contain either the signature or initials of a responsible official as well as the date of approval by that individual. Under no circumstances, however, should the individual being paid by the invoice be the same individual approving the invoice. In addition, in situations where a vendor is requesting payment for services either in advance or as a progress payment, this payment must be supported by an invoice or statement from the vendor. I believe that the management of the Town and its component units understand the importance of having proper internal controls and policies and procedures to ensure the safeguarding of its' assets. I also believe that through conversations with a number of members of management, that an adequate set of policies and procedures will be developed and implemented to address this finding.

07-01F Preparation of financial statements

The management of the Town is responsible for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Statements of Auditing Standards No. 112 states in effect that if an entity is unable to prepare its financial statements in accordance with these principles that this represents either a deficiency, significant deficiency, or material weakness. In addition, the management of the Town is responsible for being aware of the details of and application of all applicable generally accepted accounting principles. These principles affect how transactions are recorded, reported in the financial statements, and documented in the notes to the financial statements. During the current fiscal year a significant amount of assistance was provided to the Town in order to accurately prepare a set of financial statements in accordance with all applicable generally accepted accounting principles. We consider this item to be a material weakness.

Recommendation and management response

We recommend that the management of the Town become more familiar with the detail and application of all applicable generally accepted accounting principles. This process should then be applied to the upcoming fiscal year end financial statements during the preparation of these financial statements. Through conversations with members of management, they appear to understand the items and recommendations contained above and agree with the importance of a better set of policies and procedures to address these items.

Stephen T. Hopkins, CPA, PC

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Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the State Single Audit Act and on the schedule of expenditures of state financial assistance

Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the compliance of the Town of Lebanon, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2007. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of Lebanon, Connecticut's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated January 9, 2008. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 9, 2008

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2007

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Office of Policy and Management:</u>		
Property tax relief	11000-OPM20600-17086-2007	\$ 51,020
Disabled program	11000-OPM20600-17011-2007	810
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2007	31,044
Property tax relief for veterans	11000-OPM20600-17024-2007	4,145
Property tax relief for manufacturing machinery and equipment and commercial vehicles	11000-OPM20600-17031-2007	30,615
Payment in lieu of taxes (PILOT) on state owned property	11000-OSC15910-17004-2007	39,529
Mashantucket Pequot Grant	12009-OSC15910-17005-2007	69,086
<u>Department of Education:</u>		
Healthy food certification	11000-SDE64370-16072-2007	7,870
Child nutrition program	11000-SDE64370-16072-2007	3,681
Vocational Agriculture	11000-SDE64370-17017-2007	73,553
Adult education	11000-SDE64370-17030-2007	7,436
State funds for technology infrastructure	12052-SDE64370-42860-2006	58,915
<u>Connecticut State Library:</u>		
Historic documents preservation grant	12060-CSL66094-35150-2007	7,000
State Grants to Public Libraries	11000-CSL66051-17003-2007	1,467
Connecticard Payments	11000-CSL66051-17010-2007	383
<u>Department of Transportation:</u>		
Town aid road grants - transportation fund	12001-DOT57131-17036-2007	157,843
<u>Department of Public Health:</u>		
Per capita grant	11000-DPH48558-17009-2007	3,540
Preparedness and response to bio-terrorism	12060-DPH48558-21096-2006	5,000
<u>Board of Education Services for the Blind:</u>		
Education of handicapped blind children	11000-ESB65020-12060-2007	5,957
<u>Office of State Comptroller:</u>		
Boat grant	12027-OSC15910-40211-2007	2,507
<u>Department of Environmental Protection:</u>		
Recreation trails program - Airline south state park trail	12060-DEP44321-20296-2007	93,204

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2007

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Judicial Branch:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2007	\$ 2,020
<u>Department of Agriculture:</u>		
Application recording fee	11000-DAG42720-10020-2007	10
<u>Department of Revenue Services:</u>		
Other expenses	11000-DRS16324-10020-2007	23
<u>Department of Social Services:</u>		
Other expenses	11000-DSS60439-10020-2007	40
Total State Financial Assistance before exempt programs		<u>\$ 656,698</u>

Exempt Programs

State Department of Education:

School construction progress payments		
Principal	13009-SDE64370-40901-2006	\$ 280,859
Principal	13009-SDE64370-40901-2007	136,516
Interest	13009-SDE64370-40896-2007	88,452
Vocational agriculture grant	13009-SDE64370-40901-2007	6,254
Transportation for school children - Public	11000-SDE64370-17027-2007	206,565
Education equalization	11000-SDE64370-17041-2007	4,684,095
Special Education - EXCS	11000-SDE64370-17047-2007	287,634
Special Education - API	11000-SDE64370-17047-2007	15,197
Total Exempt Programs		<u>5,705,572</u>
Total Expenditures of State Financial Assistance		<u>\$ 6,362,270</u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2007

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Lebanon, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lebanon, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Lebanon, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2007

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: qualified

Internal control over financial reporting:

- | | | | | |
|--|---------------|-----|---------------|---------------|
| • Material weakness (es) identified? | <u>X</u> | yes | <u> </u> | no |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>X</u> | yes | <u> </u> | none reported |
| • Noncompliance material to the financial statements noted? | <u> </u> | yes | <u>X</u> | no |

State Financial Assistance

Type of auditors' report issued on compliance for major programs unqualified

Internal control over major programs:

- | | | | | |
|---|---------------|-----|----------|---------------|
| • Material weakness (es) identified? | <u> </u> | yes | <u>X</u> | no |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u> </u> | yes | <u>X</u> | none reported |
| • Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | <u> </u> | yes | <u>X</u> | no |

Major State Programs and percentage of coverage

- The following schedule reflects the major programs included in the audit. Sec. 4-230 (12) defines a major state program as any program, excluding an exempt program, for which total expenditures of state financial assistance by a non state entity during the applicable year exceed the larger of (A) \$100,000 or (B) one percent of the total amount of state financial assistance expended, excluding expenditures of an exempt program by the non state entity during the audited year. Sec. 4-233(c)(2) limits the testing of additional state programs to achieve the 50% coverage provision in Sec. 4-233(c)(1) of the Act to up to two non exempt programs with state financial assistance expenditures of \$25,000 to \$100,000. Total non exempt state financial assistance expended by the Town were \$656,698. The programs tested as major and shown below represent 45.76% of the total non-exempt state financial assistance expended.

<u>State grantor and program</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Mashantucket Pequot Grant	12009-OSC15910-17005-2007	\$ 69,086
Department of Education		
Vocational Agriculture	11000-SDE64370-17017-2007	73,553
Department of Transportation:		
Town Aid Road Grants	12001-DOT57131-17036-2007	<u>157,843</u>
		<u>\$ 300,482</u>

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2007

II. Financial Statement Findings

- We issued reports, dated January 9, 2008, on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable any instances of noncompliance.
- Our report on internal control over financial reporting indicated four significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings, questioned costs, and responses of the federal compliance section of these financial statements referenced to as item numbers 06-01F, 05-01F, 05-02F, and 07-01F starting on page 64. We consider item numbers 06-01F and 07-01F to be material weaknesses.

III. State Financial Assistance Findings and Questioned Costs

- No findings or questioned costs are reported relating to State financial assistance programs.